

**OHIO COUNTY SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
**AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2012**

**OHIO COUNTY SCHOOL DISTRICT**  
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**Year ended June 30, 2012**

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**OHIO COUNTY PUBLIC SCHOOL DISTRICT  
HARTFORD, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2012**

As management of the Ohio County Public School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

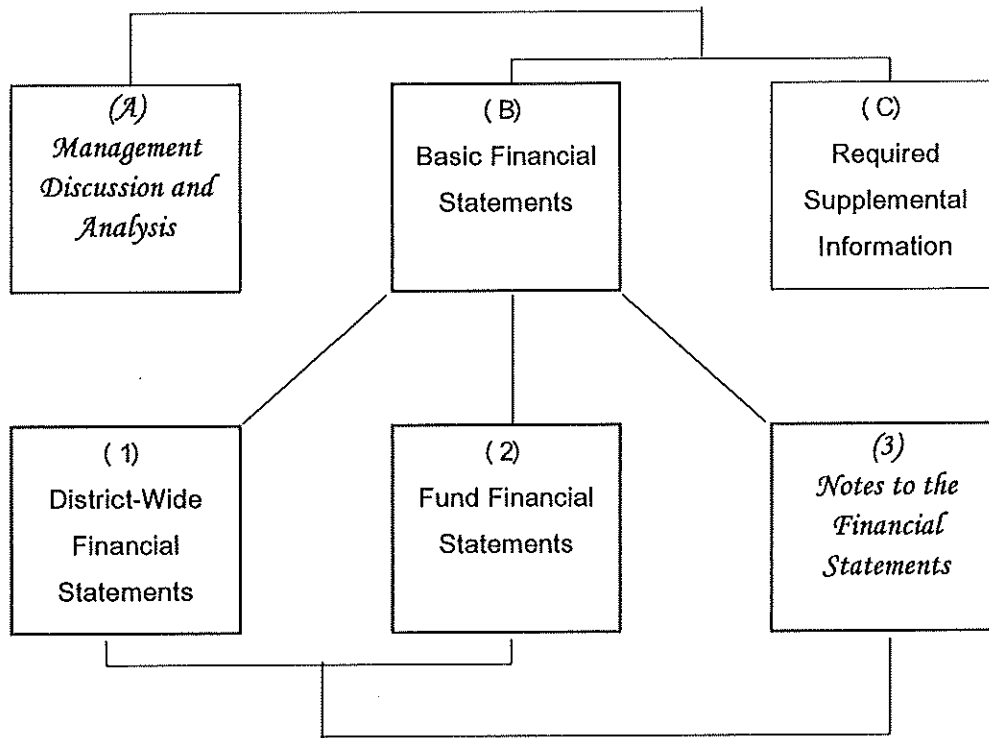
## **FINANCIAL HIGHLIGHTS**

- The beginning General Fund fund balance for the District was \$2,403,529. The ending General Fund fund balance at June 30, 2012 is \$3,203,862.
- The District receives funding thru the SEEK formula and a significant factor of the formula is the average daily attendance (ADA) of the prior school year. The District's ADA for FY 2012 was 3,557 which is an increase of thirty-five (35) over the prior year. This increase had a positive impact on our SEEK funding of approximately \$160,000.
- The District continues to monitor the Transportation and Maintenance Departments for improved operational efficiencies. The two combined department's expenditures decreased by approximately \$1,550,000 over the prior year.
- The District's General Fund net transfers out during fiscal year 2012 were \$310,772 while the prior year was \$2,241,153. The majority of the reduction can be attributed to the Auxiliary Gym Project. This project is currently on hold and if officially closed during FY 2013 the funds available will be transferred back to the General Fund fund balance.
- The District received a significant increase in the amount of unmined coal tax revenue for the current fiscal year. The increase was \$302,613 above the previous fiscal year.

## **Overview of the Annual Financial Report (AFR)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Ohio County Public School District as a financial whole, an entire operating entity, in a manner similar to a private-sector business. The annual report consists of three parts: (A) management's discussion and analysis (this section), (B) the basic financial statements and notes, and (C) required and other supplemental information. The statements then proceed to provide an increasingly detailed look at specific financial activities. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

# Organization of the Annual Financial Report



The Government-Wide Financial Statements have two sections (1) the *Statement of Net Assets* and (2) the *Statement of Activities*. The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's major funds with all other non-major funds presented in total in one column. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## Reporting the District as a Whole

One of the most important questions asked about the District is "How did we do financially during 2012?" The *Statement of Net Assets* and the *Statement of Activities*, which appear first in the District's financial statements, report information on the District as a whole and its activities in a way that helps answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting*, which is

similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. However, the District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as Kentucky's SEEK funding formula and its adjustments, the District's property tax base, required educational programs and other factors.

In the Statement of Net Assets and the Statements of Activities, the District is divided into two distinct kinds of activities:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extra-curricular activities. The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). Fixed assets and related debt are also supported by taxes and intergovernmental revenues.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District's food service is reported as business activities. These activities are funded thru fees, federal grants, and federal commodities.

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$34,485,599 as of June 30, 2012.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that is still outstanding (\$28,259,471). The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

## **Reporting the District's Most Significant Funds**

### **Fund Financial Statements**

After looking at the District as a whole, an analysis of the District's major funds follows. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate

compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds. Fiduciary funds are assets that belong to others. The school activity funds and private purpose trust funds are reported as fiduciary funds. A proprietary fund is sometimes referred to as an enterprise fund. It is a fund that operates like a business with sales of goods and services. All other activities of the district are included in the governmental funds. The major governmental funds for the Ohio County Public School District are the general fund and special revenue (grants).

**Governmental Funds** - Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental *activities* (reported in the Statement of Net Assets and the Statements of Activities) and governmental *funds* is reconciled in the financial statements.

**Proprietary Funds** - Proprietary funds use the same basis of accounting as business-type activities; therefore, the statements for the proprietary fund will essentially match. The District's school food service operation, school wide day care operation, school auditorium, high school day care operation, and the community education operation are within the proprietary business-type activities.

**Fiduciary Funds** - Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. The schools' activity funds (or agency funds) balance at year-end totaled \$182,559. The District's private purpose trust gross assets at year-end totaled \$4,913,158.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

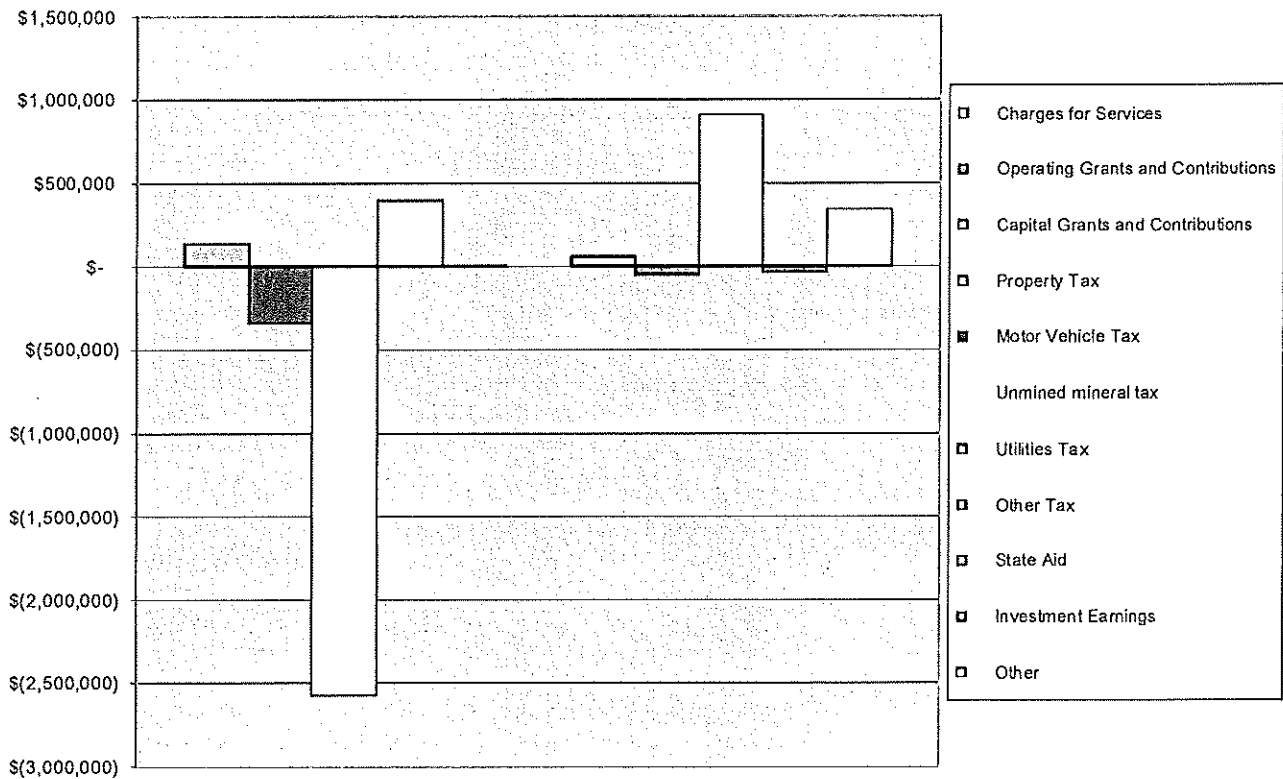
### Net Assets

	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>Change</u>
<b>Assets</b>			
Current and Other Assets	\$ 7,765,034	\$ 6,813,855	(951,179)
Capital Assets	52,007,743	51,357,661	(650,082)
<b>Total Assets</b>	<b>\$ 59,772,777</b>	<b>\$ 58,171,516</b>	<b>(1,601,261)</b>
<b>Liabilities</b>			
Long Term Liabilities	\$ 22,917,897	\$ 21,185,999	(1,731,898)
Other Liabilities (current)	3,481,414	2,499,918	(981,496)
<b>Total Liabilities</b>	<b>\$ 26,399,311</b>	<b>\$ 23,685,917</b>	<b>(2,713,394)</b>
<b>Net Assets</b>			
Investment in capital assets (net of debt)	\$ 28,061,892	\$ 28,259,471	197,579
Restricted	4,781,212	2,768,490	(2,012,722)
Unrestricted	407,011	3,457,638	3,050,627
<b>Total Net Assets</b>	<b>\$ 33,250,115</b>	<b>\$ 34,485,599</b>	<b>1,235,484</b>

## Revenues

Revenues	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>Change</u>
Program Revenues:			
Charges for Services	\$ 574,882	\$ 710,554	\$ 135,672
Operating Grants and Contributions	8,571,042	8,231,313	(339,729)
Capital Grants and Contributions	2,814,912	242,365	(2,572,547)
General Revenues:			
Property Tax	3,860,474	4,254,823	394,349
Motor Vehicle Tax	682,774	684,871	2,097
Unmined mineral tax	172,361	474,974	302,613
Utilities Tax	1,361,191	1,420,141	58,950
Other Tax	86,319	35,774	(50,545)
State Aid	21,436,553	22,345,702	909,149
Investment Earnings	79,044	42,730	(36,314)
Other	290,065	634,710	344,645
<b>Total Revenues</b>	<b>\$ 39,929,617</b>	<b>\$ 39,077,957</b>	<b>\$ (851,660)</b>

## Revenue Variances

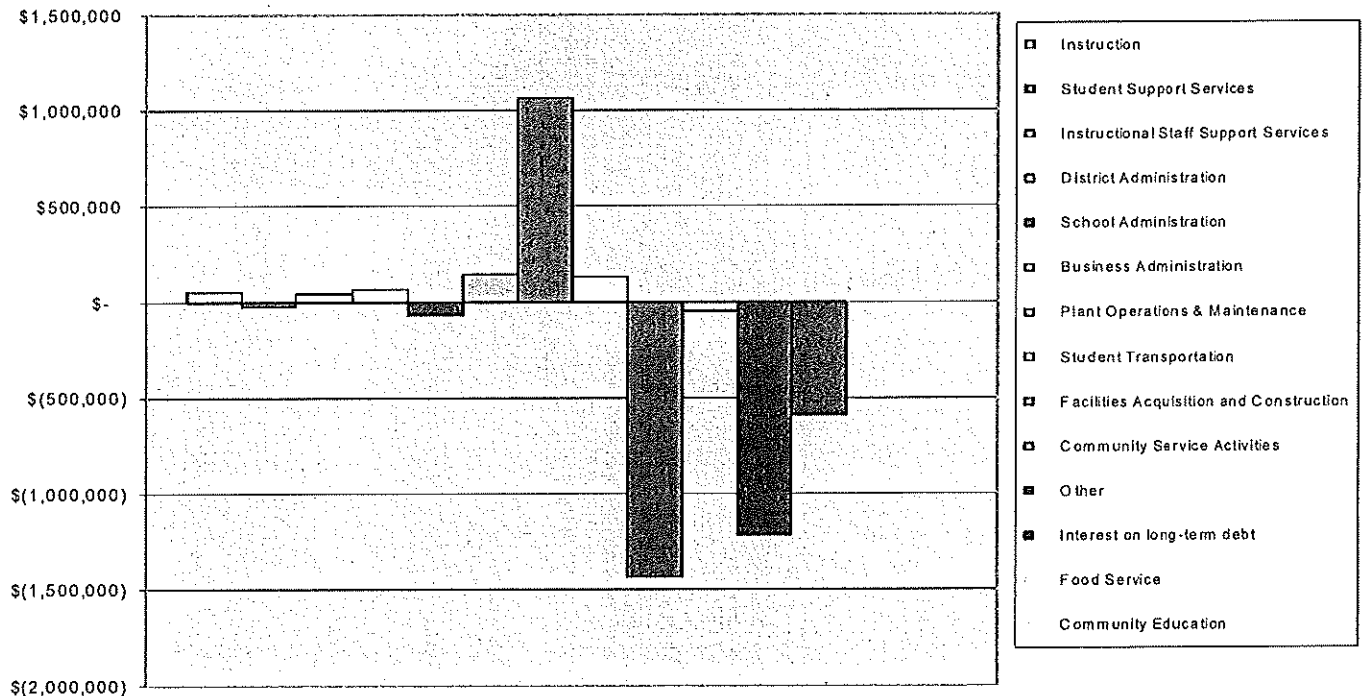




### **Expenses**

	<u>June 30, 2011</u>		<u>June 30, 2012</u>		<u>Change</u>
Instruction	\$ 21,217,069	\$	21,272,415	\$	55,346
Student Support Services	1,296,137		1,270,870		(25,267)
Instructional Staff Support Services	1,719,060		1,762,236		43,176
District Administration	627,974		693,877		65,903
School Administration	1,990,850		1,921,042		(69,808)
Business Administration	1,239,075		1,381,306		142,231
Plant Operations & Maintenance	2,899,313		3,962,868		1,063,555
Student Transportation	2,999,108		3,128,892		129,784
Facilities Acquisition and Construction	1,433,521		-		(1,433,521)
Community Service Activities	430,771		384,689		(46,082)
Other	1,216,041		-		(1,216,041)
Interest on long-term debt	1,322,963		731,922		(591,041)
Food Service	2,100,829		2,248,476		147,647
Community Education	107,998		108,920		922
<b>Total Expenses</b>	<b>\$ 40,600,709</b>	<b>\$</b>	<b>38,867,513</b>	<b>\$</b>	<b>(1,733,196)</b>

### **Expense Variance**



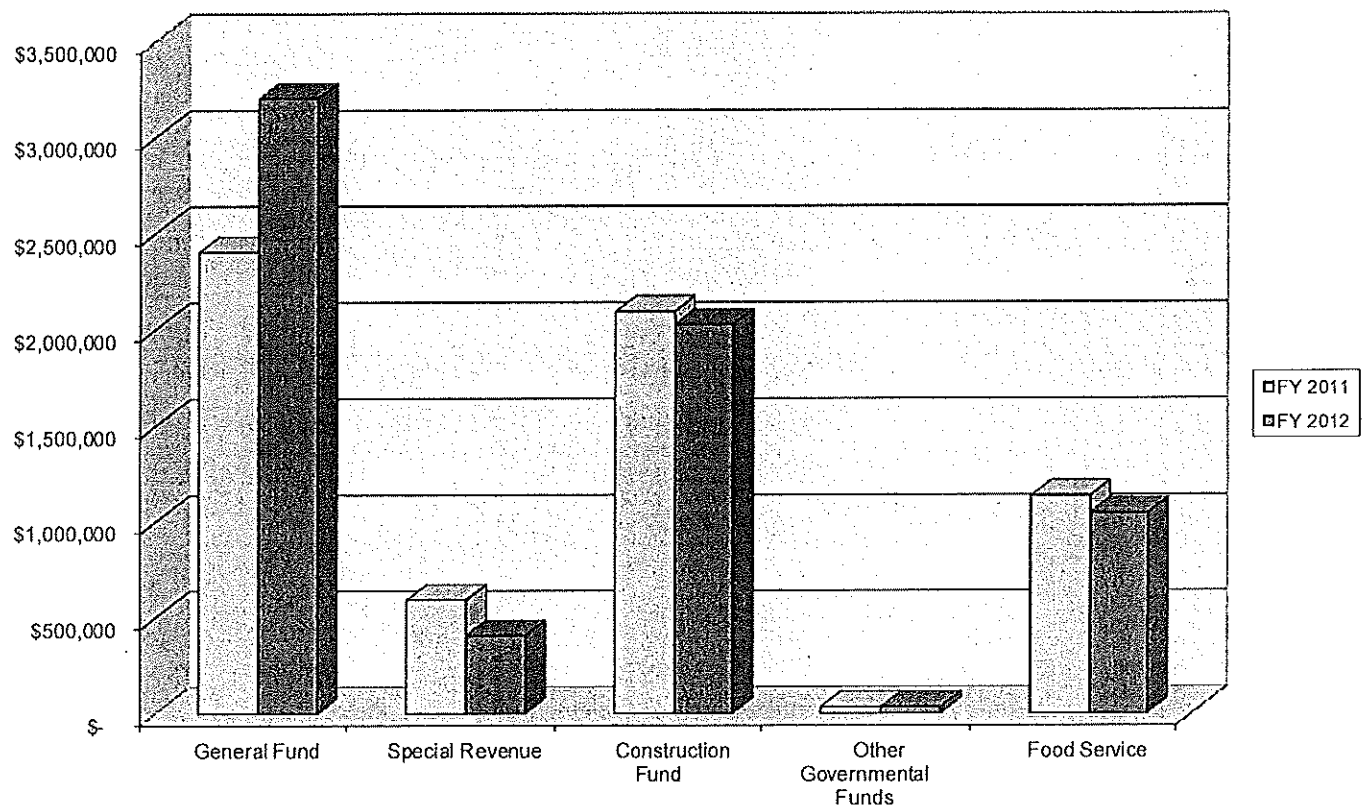
- The District's total revenues were \$39,077,957 and the total expenses were \$38,867,513. Revenues exceeded expenses by \$210,444.
- State revenues accounted for 57% and local taxes accounted for 18% of the revenue.

- Instruction was the major expense category and accounted for 55% of the total.

### Financial Analysis of the District Funds

Changes in End-of-Year Fund Balances	FY 2011	FY 2012	Amount of Change	Percent of Change
General Fund	\$ 2,403,529	\$ 3,203,862	\$ 800,333	33%
Special Revenue	\$ 593,348	\$ 408,473	\$ (184,875)	-31%
Construction Fund	\$ 2,091,906	\$ 2,024,598	\$ (67,308)	-3%
Other Governmental Funds	\$ 35,471	\$ 35,961	\$ 490	1%
Food Service	\$ 1,136,430	\$ 1,047,248	\$ (89,182)	-8%

### Changes in End-of-Year Fund Balances



- The General Fund's fund balance showed a positive change of 800,333.
- The Special Revenue Fund had a negative change of \$184,875.
- The Construction Fund had a negative change of \$67,308.

- The Other Governmental Funds had a positive change of \$490.
- The Food Service Fund's balance showed an \$89,182 decrease.

### Comments on General Fund Budget Comparisons

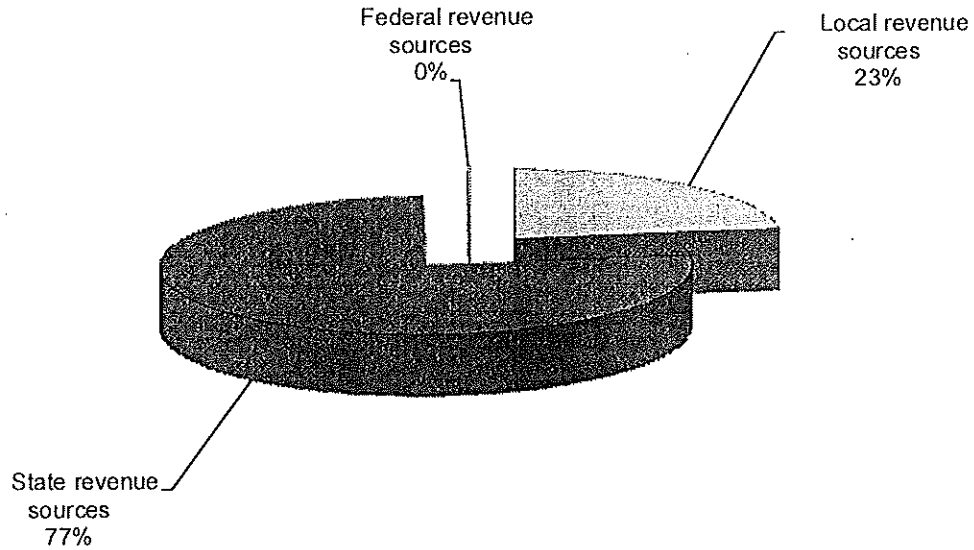
- The District budgeted for its local revenues (taxes, earned interest, and tuition) in a conservative manner. Thus, local revenues were higher than budgeted (\$305,050).
- Expenditures were less than budgeted primarily because of unspent contingency funds.
- General Fund budget compared to actual revenue varied from line item to line item with the ending actual fund balance being \$411,329 more than the prior year.
- District administration shows a \$1,025,268 favorable variance. The reason is that this is where the District's contingency is budgeted. The contingency is not meant to be expended, but is to be used as the District's beginning balance for next year. The contingency budgeted was actually \$1,116,628.

The following tables present a summary of revenues and expenditures of the General Fund for the fiscal year ended June 30, 2012.

Revenues		Amount	
Local revenue sources		\$	6,675,609
Property Tax	3,773,471		
Motor Vehicle Tax	624,208		
Utilities Tax	1,420,141		
Unmined Minerals Tax	474,974		
Other Taxes	35,774		
Tuition and fees	-		
Investment earnings	24,547		
Other Local Revenue	322,494		
State revenue sources			22,345,702
Federal revenue sources			51,509
<b>Total Revenues</b>		<b>\$</b>	<b>29,072,820</b>

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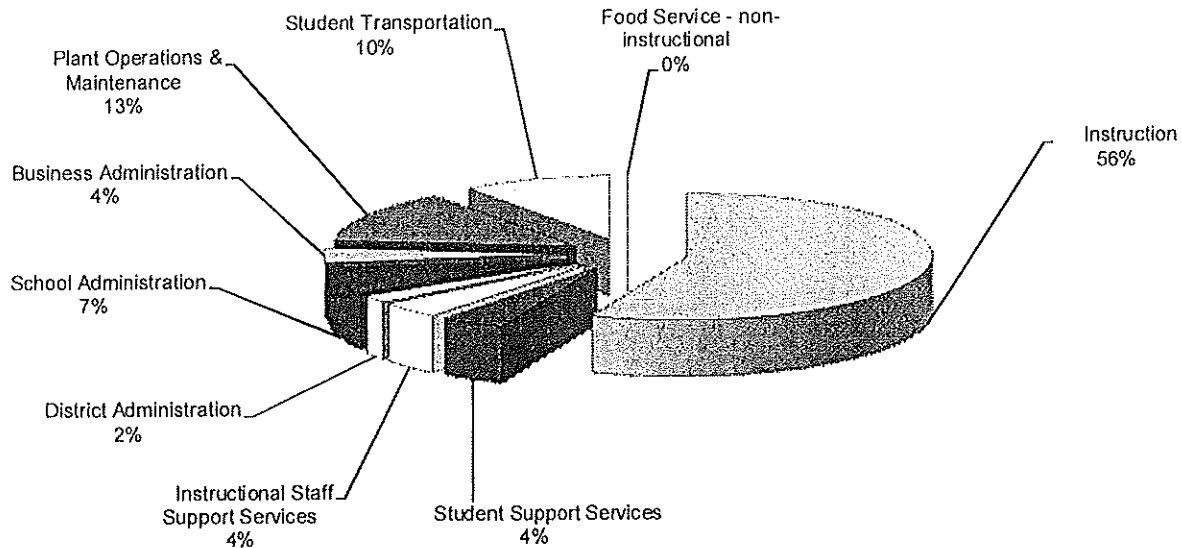
## General Fund Revenue Sources



The majority of revenue was derived from state funding 77%, with local revenue sources making up 23% of total revenue.

Expenditures		FY 2012
Instruction	\$	15,993,879
Student Support Services		1,229,506
Instructional Staff Support Services		1,140,858
District Administration		493,610
School Administration		1,908,986
Business Administration		1,011,861
Plant Operations & Maintenance		3,780,473
Student Transportation		2,791,280
Food Service - non-instructional		266
Facilities acquisition & construction		-
<b>Total Expenditures</b>	<b>\$</b>	<b>28,350,719</b>

## General Fund Expenditures



The majority of expenditures were in the area of Instruction at 56% with Plant Operations & Maintenance expenditures being 13%.

## CAPITAL ASSET AND DEBT ADMINISTRATION

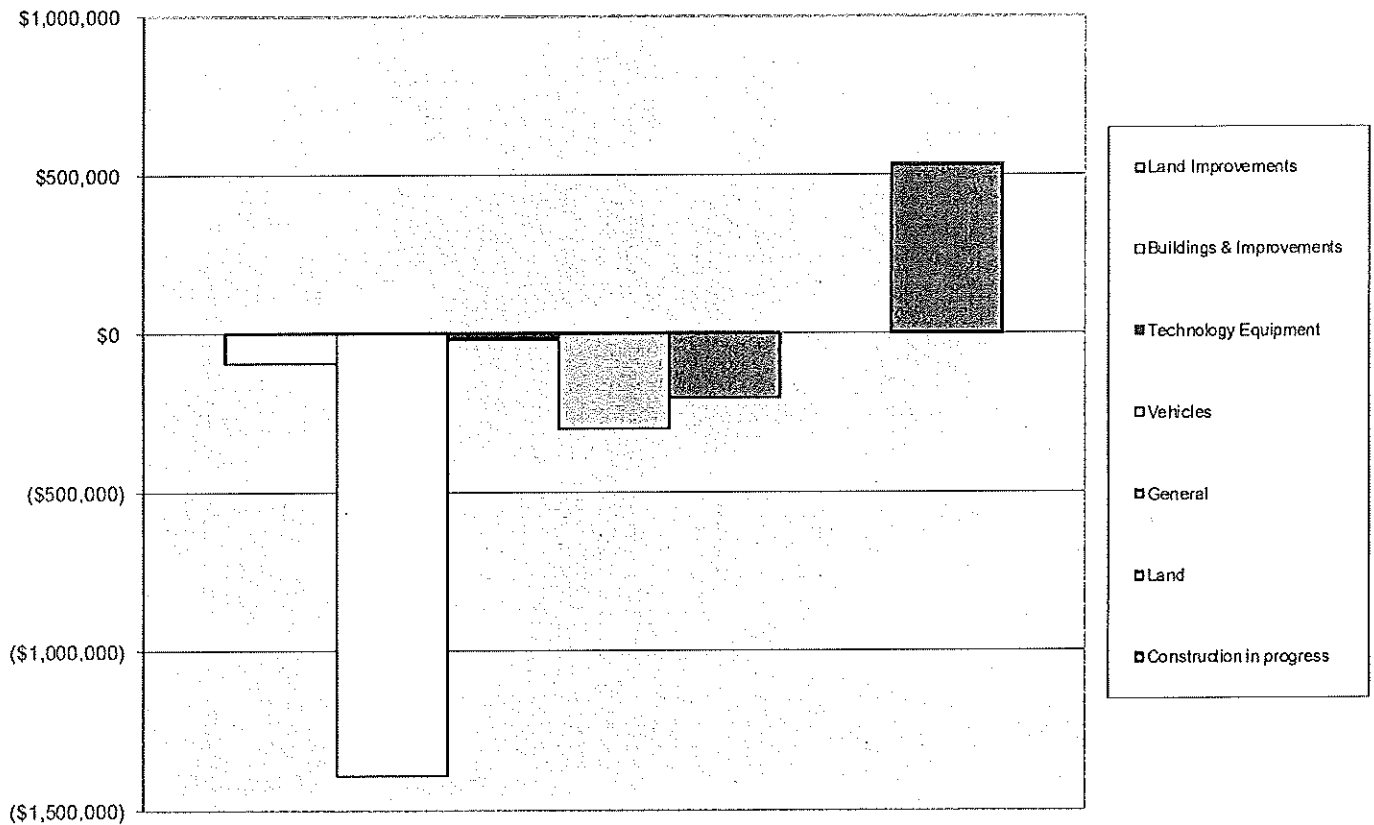
### Capital Assets

By June 30, 2012, the district had invested \$50,529,272 in capital assets, net of accumulated depreciation. This included land, school buildings, athletic facilities, maintenance facilities, computer equipment and administrative offices. The cumulative total of assets was \$84,283,694 with accumulated depreciation of \$33,754,422.

### SUMMARY OF CAPITAL ASSETS

	June 30, 2011	June 30, 2012	Change
<b>Assets</b>			
Land	\$456,873	\$456,873	\$0
Construction in progress	\$1,376,237	\$1,908,475	\$532,238
Land Improvements	\$1,137,098	\$1,042,188	(\$94,910)
Buildings & Improvements	\$44,321,714	\$42,929,376	(\$1,392,338)
Technology Equipment	\$1,001,575	\$983,106	(\$18,469)
Vehicles	\$1,463,334	\$1,163,120	(\$300,214)
General	\$2,250,912	\$2,046,134	(\$204,778)
<b>Total Assets</b>	<b>\$52,007,743</b>	<b>\$50,529,272</b>	<b>(\$1,478,471)</b>

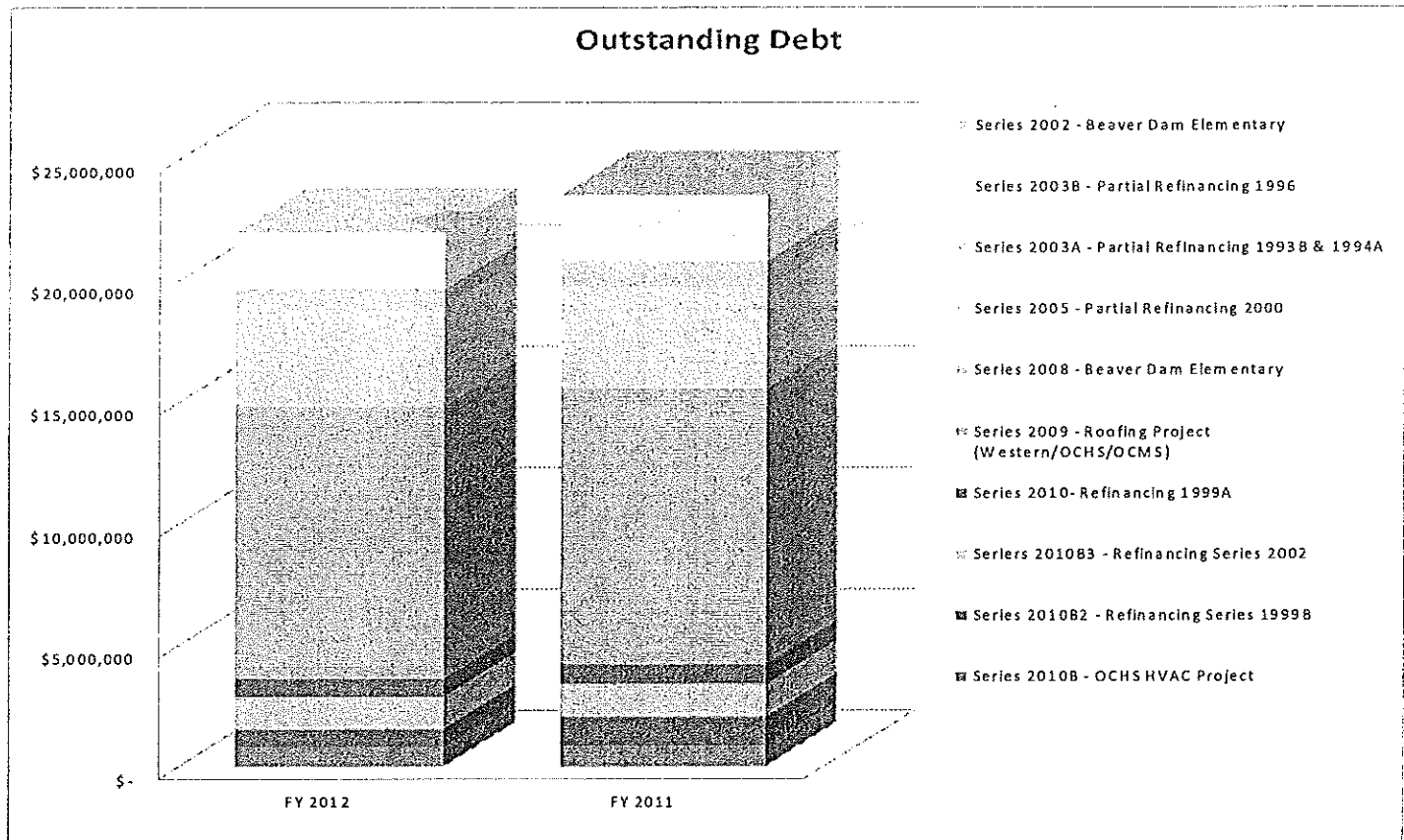
### Capital Assets Variance



### School Revenue Bonds Payable

At year-end the district had \$22.0 million in school revenue bonds outstanding. The net decrease of school revenue bonds payable was \$1,540,000. This net decrease was due to the current fiscal year principal payments.

School Revenue Bonds	FY 2012	FY 2011
Series 2010B - OCHS HVAC Project	\$ 850,000	\$ 890,000
Series 2010B2 - Refinancing Series 1999B	\$ 740,000	\$ 1,180,000
Series 2010B3 - Refinancing Series 2002	\$ 1,320,000	\$ 1,335,000
Series 2010- Refinancing 1999A	\$ 735,000	\$ 830,000
Series 2009 - Roofing Project (Western/OCHS/OCMS)	\$ 520,000	\$ 535,000
Series 2008 - Beaver Dam Elementary	\$ 10,680,000	\$ 10,790,000
Series 2005 - Partial Refinancing 2000	\$ 4,100,000	\$ 4,180,000
Series 2003A - Partial Refinancing 1993B & 1994A	\$ 740,000	\$ 1,095,000
Series 2003B - Partial Refinancing 1996	\$ 2,325,000	\$ 2,690,000
Series 2002 - Beaver Dam Elementary	\$ -	\$ 25,000
<b>Total</b>	<b>\$ 22,010,000</b>	<b>\$ 23,550,000</b>



#### BUDGETARY IMPLICATIONS

It is extremely important that the district continue to budget very conservatively. The District receives approximate 76% of its general fund revenue each year through the state funding formula (SEEK). The SEEK forecasts from the state should be considered only an estimate of state revenue. If the state does not get the revenue from taxing sources, an adjustment will be made to the funding formula. The District should always be prepared for such reductions in funding.

Approximately 24% of the general fund revenue is from local property tax. The major portion of the tax revenue does not come to the district until the fifth-seventh months. This means the general fund's beginning fund balance must be used to absorb much of the first four months of expenditures. Provisions must always be made to have a significant beginning fund balance to start each year.

By law the budget must have a minimum 2% contingency. The District adopted a budget with \$1,116,628 in contingency (3.54%). The beginning fund balance for beginning the fiscal year was \$2,403,529. The ending fund balance is \$3,203,862. The District must continue to find ways to become more efficient with operational departments in an effort to provide the necessary funding to necessary programs.

#### DISTRICT CHALLENGES FOR THE FUTURE

The primary challenges for Ohio County Public Schools are to continue to reach the academic accountability goals established by the Commonwealth of Kentucky, continue to maintain our modern facilities, and preserving the current level of financial stability.

The District's challenge to reach the academic accountability goal established by the Commonwealth of Kentucky will be accomplished by several means. The primary goal is to maintain our competitive salary

schedules to help attract quality leadership, teachers and support staff. The District also needs to continue to maintain our pupil/teacher ratio at levels below the levels recommended by the state. Maintaining several programs will also help the District overcome this challenge. These programs include, but are not limited to, full day kindergarten, response to intervention (RTI), and advancement in the area of technology.

The second challenge mentioned above is to maintain our modern facilities. The District has suspended the annual financial commitment in order to maintain our current facilities. During FY 2012, the District did not transfer \$400,000 of the General Fund revenues to the restricted construction account within the General Fund. The current balance within the restricted construction account as of June 30, 2012 is \$740,023. This restricted account will help the District recover from any unforeseen major facility repairs, help keep the current facilities in excellent condition and construct any required facilities which do not meet the Kentucky Department of Education guidelines or not large enough to require a bond sale.

The third challenge mentioned above is preserving the current level of financial stability. The district receives 76% of the general fund revenues from the State of Kentucky through the SEEK formula. With the financial condition of both the nation and state, the next four years will play a vital role in maintaining our financial stability.

Questions regarding this report should be directed to Mr. Brian L. Decker, Chief Financial Officer, located at 315 East Union Street, Hartford, KY 42347, by phone at 270.298.3249 extension # 249, or e-mail at [brian.decker@ohio.kyschools.us](mailto:brian.decker@ohio.kyschools.us).



# ALEXANDER & COMPANY CPAs PSC

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### INDEPENDENT AUDITORS' REPORT

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Ohio County School District  
Hartford, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Ohio County School District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract - General Audit Requirements*, *Appendix II to the Independent Auditor's Contract - State Audit Requirements*, *Appendix III to the Independent Auditor's Contract - Audit Extension Request*, and *Appendix IV to the Independent Auditor's Contract - Instructions for Submission of the Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 13 and, 47 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section, and combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provided any assurance on it.

*Alexander & Company CPAs PSC*

Owensboro, Kentucky  
November 13, 2012

**OHIO COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
June 30, 2012

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Current Assets</b>			
Cash and cash equivalents	\$ 4,660,006	\$ 521,608	\$ 5,181,614
Investments	-	-	-
Accounts receivable	889,767	15,741	905,508
Promise to give	-	-	-
Inventory	177,644	110,173	287,817
Prepaid expenses	438,916	-	438,916
Prepaid interest	-	-	-
Interest receivable	-	-	-
<b>Total current assets</b>	<b>6,166,333</b>	<b>647,522</b>	<b>6,813,855</b>
<b>Noncurrent Assets</b>			
Bond issuance costs	828,389	-	828,389
Capital assets	83,039,661	1,244,033	84,283,694
Less: Accumulated depreciation	(32,929,443)	(824,979)	(33,754,422)
<b>Total noncurrent assets</b>	<b>50,938,607</b>	<b>419,054</b>	<b>51,357,661</b>
<b>Total assets</b>	<b>\$ 57,104,940</b>	<b>\$ 1,066,576</b>	<b>\$ 58,171,516</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 239,646	\$ 5,786	\$ 245,432
Retained percentage contracts	33,273	-	33,273
Accrued payroll and withholding obligations	216,042	-	216,042
Due to other funds	-	-	-
Deferred revenues	37,751	-	37,751
Current portion of bond obligations	1,580,000	-	1,580,000
Current portion of capital lease obligations	148,835	-	148,835
Current portion of accrued sick leave	95,765	-	95,765
Interest payable	142,820	-	142,820
<b>Total current liabilities</b>	<b>2,494,132</b>	<b>5,786</b>	<b>2,499,918</b>
<b>Noncurrent Liabilities</b>			
Noncurrent portion of bond obligations	20,430,000	-	20,430,000
Noncurrent portion of capital lease obligations	110,965	-	110,965
Noncurrent portion of accrued sick leave	645,034	-	645,034
<b>Total noncurrent liabilities</b>	<b>21,185,999</b>	<b>-</b>	<b>21,185,999</b>
<b>Total liabilities</b>	<b>\$ 23,680,131</b>	<b>\$ 5,786</b>	<b>\$ 23,685,917</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 27,840,417	\$ 419,054	\$ 28,259,471
Restricted for:			
Capital projects	2,126,754	641,736	2,768,490
Unrestricted	3,457,638	-	3,457,638
<b>Total net assets</b>	<b>\$ 33,424,809</b>	<b>\$ 1,060,790</b>	<b>\$ 34,485,599</b>

The accompanying notes are an integral part of the financial statements.

**OHIO COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2012**

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>						
Instruction	\$ 21,272,415	\$ -	\$ -	\$ (14,765,723)	\$ -	\$ (14,765,723)
Support services:						
Student	1,270,870	11,987	-	(1,258,883)	-	(1,258,883)
Instruction staff	1,762,236	-	-	(1,762,236)	-	(1,762,236)
District administrative	693,877	-	-	(693,877)	-	(693,877)
School administrative	1,921,042	-	-	(1,921,042)	-	(1,921,042)
Business	1,381,306	-	-	(1,381,306)	-	(1,381,306)
Plant operation and maintenance	3,962,868	-	-	(3,960,852)	-	(3,960,852)
Student transportation	3,128,892	-	-	(3,128,892)	-	(3,128,892)
Central office	-	-	-	-	-	-
Food service operation	8,134	-	-	(8,134)	-	(8,134)
Community service activities	384,889	-	-	(304,236)	-	(304,236)
Facilities acquisition and construction	-	-	-	-	-	-
Interest on long term debt	731,922	-	159,856	(572,066)	-	(572,066)
Other	18,162	-	-	18,162	-	18,162
<b>Total governmental activities</b>	<b>36,518,251</b>	<b>6,506,692</b>	<b>159,856</b>	<b>(29,739,085)</b>	<b>-</b>	<b>(29,739,085)</b>
<b>Business-type Activities</b>						
Food service	2,240,342	1,724,621	82,509	-	67,252	67,252
Other	108,920	-	-	-	(11,448)	(11,448)
<b>Total business-type activities</b>	<b>2,349,262</b>	<b>1,724,621</b>	<b>82,509</b>	<b>-</b>	<b>55,804</b>	<b>55,804</b>
<b>Total school district</b>	<b>\$ 38,867,513</b>	<b>\$ 8,231,313</b>	<b>\$ 242,365</b>	<b>\$ (29,739,085)</b>	<b>\$ 55,804</b>	<b>\$ (29,683,281)</b>
<b>General Revenues</b>						
Property taxes				\$ 4,254,823	\$ -	\$ 4,254,823
Motor vehicle taxes				684,871	-	684,871
Unmined mineral tax				474,974	-	474,974
Other taxes				35,774	-	35,774
Utility taxes				1,420,141	-	1,420,141
Revenue in lieu of taxes				-	-	-
Investment earnings				39,691	3,039	42,730
State and formula grants				22,345,702	-	22,345,702
Contributions				675	-	675
Miscellaneous				634,035	-	634,035
Transfers				159,473	(159,473)	-
<b>Total general revenues and transfers</b>				<b>30,050,159</b>	<b>(156,434)</b>	<b>29,893,725</b>
Change in net assets				311,074	(100,630)	210,444
Net assets - beginning				32,212,046	1,161,420	33,373,466
Prior Period Adjustment				901,689	-	901,689
Net assets - ending				\$ 33,424,809	\$ 1,060,790	\$ 34,485,599

The accompanying notes are an integral part of the financial statements.

OHIO COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS AND RESOURCES:</b>					
Cash and cash equivalents	\$ 2,599,447	\$ -	\$ 2,024,598	\$ 35,961	\$ 4,660,006
Accounts receivable	345,470	544,297	-	-	889,767
Prepaid expense	438,916	-	-	-	438,916
Inventories	177,644	-	-	-	177,644
Due from other funds	72,763	-	-	-	72,763
Interest receivable	-	-	-	-	-
<b>Total assets</b>	<b>\$ 3,634,240</b>	<b>\$ 544,297</b>	<b>\$ 2,024,598</b>	<b>\$ 35,961</b>	<b>\$ 6,239,096</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 214,336	\$ 25,310	\$ -	\$ -	\$ 239,646
Retained percentage contracts	-	-	33,273	-	33,273
Accrued payroll and related expenses	216,042	-	-	-	216,042
Accumulated sick leave - current	-	-	-	-	-
Due to other funds	-	72,763	-	-	72,763
Deferred revenues	-	37,751	-	-	37,751
Obligations under capital lease	-	-	-	-	-
Debt obligations	-	-	-	-	-
<b>Total liabilities</b>	<b>430,378</b>	<b>135,824</b>	<b>33,273</b>	<b>-</b>	<b>599,475</b>
<b>Fund Balances</b>					
Nonspendable	616,559	-	-	-	616,559
Restricted	100,000	-	1,991,325	35,429	2,126,754
Committed	863,685	-	-	-	863,685
Assigned	126,803	119,070	-	-	245,873
Unassigned	1,496,815	289,403	-	532	1,786,750
<b>Total fund balances</b>	<b>3,203,862</b>	<b>408,473</b>	<b>1,991,325</b>	<b>35,961</b>	<b>5,639,621</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,634,240</b>	<b>\$ 544,297</b>	<b>\$ 2,024,598</b>	<b>\$ 35,961</b>	<b>\$ 6,239,096</b>

The accompanying notes are an integral part of the financial statements.

**OHIO COUNTY SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Assets**  
**June 30, 2012**

Total fund balances - governmental funds	\$ 5,639,621
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported as assets in governmental funds. The cost of the assets is \$ 83,039,661 and the accumulated depreciation is \$ 32,929,443.	50,110,217
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	-
Certain long-term assets are not reported in the governmental funds because they are not available to pay current-period expenditures, but they are reported in the statement of net assets.	-
Bond issuance costs reported as an expenditure in the governmental fund financial statement are capitalized in the government-wide financial statements.	828,389
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Leases payable	(259,799)
Bonds payable	(22,010,000)
Accrued interest on the bonds	(142,820)
Accrued sick leave	(740,799)
Total net assets for governmental activities	<u>\$ 33,424,809</u>

The accompanying notes are an integral part of the financial statements.

**OHIO COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the year ended June 30, 2012**

Revenues	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
From local sources					
Property taxes	\$ 3,773,471	\$ -	\$ -	\$ 481,352	\$ 4,254,823
Motor vehicle taxes	624,208	-	-	60,663	684,871
Unmined minerals	474,974	-	-	-	474,974
Utility taxes	1,420,141	-	-	-	1,420,141
Franchise taxes	-	-	-	-	-
Other taxes	35,774	-	-	-	35,774
Revenue other local government units	-	-	-	-	-
Tuition and fees	-	-	-	-	-
Transportation	-	-	-	-	-
Earnings on investments	24,547	793	14,345	6	39,691
Food Service	-	4,713	-	-	4,713
Student activities	-	80,453	-	-	80,453
Community service activities	-	-	-	-	-
Other local revenues	321,819	487,948	-	-	809,767
State sources					
SEEK	16,549,498	-	-	-	16,549,498
Other	5,796,204	1,373,373	-	1,946,847	9,116,424
Federal - direct	51,509	-	-	-	51,509
Federal - indirect	-	3,134,963	-	-	3,134,963
Intermediate sources	-	-	-	11,576	11,576
Other revenues	675	-	-	-	675
<b>Total revenues</b>	<b>29,072,820</b>	<b>5,082,243</b>	<b>14,345</b>	<b>2,500,444</b>	<b>36,669,852</b>
<b>Expenditures</b>					
Instruction	15,993,879	3,857,920	-	-	19,851,799
Support services					
Student	1,229,506	41,364	-	-	1,270,870
Instruction staff	1,140,858	620,203	-	-	1,761,061
District administration	493,610	-	-	-	493,610
School administration	1,908,986	5,848	-	-	1,914,834
Business	1,011,861	366,566	-	-	1,378,427
Plant operation and maintenance	3,780,473	1,561	-	-	3,782,034
Student transportation	2,791,280	62,093	-	-	2,853,373
Food service operation	266	7,868	-	-	8,134
Community service activities	-	384,689	-	-	384,689
Facilities acquisition and construction	-	-	594,242	-	594,242
Other	-	-	-	2,413,010	2,413,010
<b>Total expenditures</b>	<b>28,350,719</b>	<b>5,348,112</b>	<b>594,242</b>	<b>2,413,010</b>	<b>36,706,083</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>722,101</b>	<b>(265,869)</b>	<b>(579,897)</b>	<b>87,434</b>	<b>(36,231)</b>
<b>Other Financing Sources (Uses)</b>					
Bond proceeds	-	-	-	-	-
Payment to refunding debt escrow agent	-	-	-	-	-
Operating transfers in	326,625	374,154	476,195	1,531,951	2,708,925
Operating transfers out	(637,397)	(293,160)	-	(1,618,895)	(2,549,452)
<b>Total other financing sources (uses)</b>	<b>(310,772)</b>	<b>80,994</b>	<b>476,195</b>	<b>(86,944)</b>	<b>159,473</b>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	<b>411,329</b>	<b>(184,875)</b>	<b>(103,702)</b>	<b>490</b>	<b>123,242</b>
<b>Net change in fund balances</b>	<b>411,329</b>	<b>(184,875)</b>	<b>(103,702)</b>	<b>490</b>	<b>123,242</b>
<b>Fund balance, June 30, 2011</b>	<b>2,403,529</b>	<b>593,348</b>	<b>2,091,906</b>	<b>35,471</b>	<b>5,124,254</b>
<b>Prior Period adjustment</b>	<b>389,004</b>	<b>-</b>	<b>3,121</b>	<b>-</b>	<b>392,125</b>
<b>Fund balance, June 30, 2012</b>	<b>\$ 3,203,862</b>	<b>\$ 408,473</b>	<b>\$ 1,991,325</b>	<b>\$ 35,961</b>	<b>\$ 5,639,621</b>

The accompanying notes are an integral part of the financial statements.

OHIO COUNTY SCHOOL DISTRICT  
Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2012

Total net change in fund balances - governmental funds	\$ 123,242
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$ 1,066,673) exceeded depreciation (\$ 2,473,721) in the current period.	(1,407,048)
In the statement of activities, only the gain (loss) on the sale or disposal is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of equipment sold.	(37,064)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	-
The proceeds of debt issuances provide current financial resources to governmental funds. But issuing debt increases long-term liabilities in the statement of net assets.	-
Repayment of bond principal and capital lease payments are an expenditure in the governmental funds, but the payments reduce long-term liabilities in the statement net assets. This is the amount of the payments.	1,676,051
In the statement of activities, certain operating expenses - compensated absences (sick pay) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This is the amount that used exceeded sick leave earned.	66,066
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the net result of accrued interest on bonds, leases and contracts payable.	5,037
Bond issuance costs reported as an expenditure in the governmental fund financial statement are capitalized in the government-wide financial statements.	(115,210)
Change in net assets of governmental activities	<u>\$ 311,074</u>

The accompanying notes are an integral part of the financial statements.



OHIO COUNTY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2012

ASSETS	Food Service Fund	Other Enterprise Funds	Total
<b>Current Assets</b>			
Cash and cash equivalents	\$ 512,771	\$ 8,837	\$ 521,608
Accounts receivable - other	10,493	5,248	15,741
Inventories	110,173	-	110,173
<b>Total current assets</b>	<u>633,437</u>	<u>14,085</u>	<u>647,522</u>
<b>Noncurrent Assets</b>			
Capital assets	1,244,033	-	1,244,033
Less: Accumulated depreciation	(824,979)	-	(824,979)
<b>Total noncurrent assets</b>	<u>419,054</u>	<u>-</u>	<u>419,054</u>
<b>Total assets</b>	<u>\$ 1,052,491</u>	<u>\$ 14,085</u>	<u>\$ 1,066,576</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 5,243	\$ 543	5,786
Accrued payroll and withholding obligations	-	-	-
<b>Total current liabilities</b>	<u>5,243</u>	<u>543</u>	<u>5,786</u>
<b>Total liabilities</b>	<u>\$ 5,243</u>	<u>\$ 543</u>	<u>\$ 5,786</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	419,054	-	419,054
Restricted	628,194	13,542	641,736
<b>Total net assets</b>	<u>\$ 1,047,248</u>	<u>\$ 13,542</u>	<u>\$ 1,060,790</u>

The accompanying notes are an integral part of the financial statements.

**OHIO COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the year ended June 30, 2012**

	Food Service Fund	Other Proprietary Funds	Total
<b>Operating Revenues</b>			
Food service sales	\$ 499,153	\$ -	\$ 499,153
Other operating revenues	1,311	97,472	98,783
<b>Total operating revenues</b>	<u>500,464</u>	<u>97,472</u>	<u>597,936</u>
<b>Operating Expenses</b>			
Salaries and wages	1,059,332	104,466	1,163,798
Professional and contract services	54,952	4,454	59,406
Supplies and materials	1,069,567	-	1,069,567
Depreciation	55,977	-	55,977
Other operating expenses	514	-	514
<b>Total operating expenses</b>	<u>2,240,342</u>	<u>108,920</u>	<u>2,349,262</u>
<b>Operating Income (loss)</b>	<u>(1,739,878)</u>	<u>(11,448)</u>	<u>(1,751,326)</u>
<b>Nonoperating revenues (expenses)</b>			
Federal grants	1,541,918	-	1,541,918
State grants	23,794	-	23,794
Other state funding	158,909	-	158,909
Donated commodities	82,509	-	82,509
Interest income	3,039	-	3,039
<b>Total nonoperating revenues (expenses)</b>	<u>1,810,169</u>	<u>-</u>	<u>1,810,169</u>
<b>Net Income (loss) before transfers</b>	70,291	(11,448)	58,843
Transfers out	(159,473)	-	(159,473)
<b>Change in Net Assets</b>	<u>(89,182)</u>	<u>(11,448)</u>	<u>(100,630)</u>
<b>Total net assets, June 30, 2011</b>	<u>1,136,430</u>	<u>24,990</u>	<u>1,161,420</u>
<b>Total net assets, June 30, 2012</b>	<u>\$ 1,047,248</u>	<u>\$ 13,542</u>	<u>\$ 1,060,790</u>

The accompanying notes are an integral part of the financial statements.

**OHIO COUNTY SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the year ended June 30, 2012

	Food Service Fund	Other Proprietary Funds	Total
<b>Cash Flows from Operating Activities</b>			
Cash received from lunchroom sales	\$ 499,153	\$ -	\$ 499,153
Cash received from government grants	-	-	-
Cash received from other activities	1,312	95,539	96,851
Cash payments to employees for services	(1,059,332)	(104,466)	(1,163,798)
Less accrued liability	-	-	-
Cash payments to suppliers for goods and services	(1,023,779)	(5,289)	(1,029,068)
Cash payments for other operating activities	(514)	-	(514)
<b>Net cash from operating activities</b>	<u>(1,583,160)</u>	<u>(14,216)</u>	<u>(1,597,376)</u>
<b>Cash Flows from Capital Financing Activities</b>			
Transfers	(159,473)	-	(159,473)
Acquisition of capital assets	(22,539)	-	(22,539)
Disposal of capital assets	921	-	921
<b>Net cash from capital financing activities</b>	<u>(181,091)</u>	<u>-</u>	<u>(181,091)</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Nonoperating grants received	1,727,651	-	1,727,651
<b>Net cash from noncapital financing activities</b>	<u>1,727,651</u>	<u>-</u>	<u>1,727,651</u>
<b>Cash Flows from Investing Activities</b>			
Interest on investments	3,039	-	3,039
<b>Net cash flows from investing activities</b>	<u>3,039</u>	<u>-</u>	<u>3,039</u>
<b>Net decrease in cash and cash equivalents</b>	(33,561)	(14,216)	(47,777)
<b>Cash and cash equivalents - beginning</b>	546,332	23,053	569,385
<b>Cash and cash equivalents - ending</b>	<u>\$ 512,771</u>	<u>\$ 8,837</u>	<u>\$ 521,608</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating income (loss)	\$ (1,739,878)	\$ (11,448)	\$ (1,751,326)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Depreciation	55,977	-	55,977
Interest	-	-	-
Noncash donations	82,509	-	82,509
Loss on disposal of assets	-	-	-
Changes in assets and liabilities:			
Receivables	-	(1,933)	(1,933)
Inventory	15,305	-	15,305
Accounts payable	2,927	(835)	2,092
Accrued liabilities	-	-	-
Deferred revenue	-	-	-
Due to other funds	-	-	-
<b>Net Cash Provided by Operating Activities</b>	<u>\$ (1,583,160)</u>	<u>\$ (14,216)</u>	<u>\$ (1,597,376)</u>

**Noncash noncapital financing activities:**

During the year the district received \$ 82,509 of food commodities from the U.S. Department of Agriculture.

OHIO COUNTY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2012

ASSETS	School Activity Funds	Private Purpose Trust Funds	Total Trust Agency Funds
<b>Current Assets</b>			
Cash and cash equivalents	\$ 182,559	\$ 78,258	\$ 260,817
Investments	-	4,834,900	4,834,900
<b>Total current assets</b>	<u>182,559</u>	<u>4,913,158</u>	<u>5,095,717</u>
<b>Noncurrent Assets</b>			
Capital assets	-	-	-
<b>Total noncurrent assets</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 182,559</u>	<u>\$ 4,913,158</u>	<u>\$ 5,095,717</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 1,948	\$ 72,530	\$ 74,478
Due to student groups	180,611	-	180,611
<b>Total current liabilities</b>	<u>182,559</u>	<u>72,530</u>	<u>255,089</u>
<b>Noncurrent Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total noncurrent liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<u>\$ 182,559</u>	<u>\$ 72,530</u>	<u>\$ 255,089</u>
<b>NET ASSETS</b>			
<b>Restricted</b>			
Held in trust for scholarships	-	4,840,628	4,840,628
<b>Total net assets</b>	<u>\$ -</u>	<u>\$ 4,840,628</u>	<u>\$ 4,840,628</u>

The accompanying notes are an integral part of the financial statements.

OHIO COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
For the year ended June 30, 2012

	School Activity Funds	Private Purpose Trust Funds	Total
<b>Additions</b>			
Net interest and investment gains (losses)	\$ -	\$ 240,482	\$ 240,482
Private donations	-	-	-
Other additions	489,021	13,363	502,384
<b>Total additions</b>	<u>489,021</u>	<u>253,845</u>	<u>742,866</u>
<b>Deductions</b>			
Payments and Scholarships	-	240,577	240,577
Other deductions	489,021	-	489,021
<b>Total deductions</b>	<u>489,021</u>	<u>240,577</u>	<u>729,598</u>
<b>Transfers out</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in net assets</b>	-	13,268	13,268
<b>Total net assets, June 30, 2011</b>	<u>-</u>	<u>4,827,360</u>	<u>4,827,360</u>
<b>Total net assets, June 30, 2012</b>	<u><u>\$ -</u></u>	<u><u>\$ 4,840,628</u></u>	<u><u>\$ 4,840,628</u></u>

The accompanying notes are an integral part of the financial statements.

**OHIO COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The Ohio County Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Ohio County School District (District). The Board receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and has decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Ohio County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc., except for those funds administered as an activity in the agency funds.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Ohio County School District Finance Corporation - The Ohio County, Kentucky, Board of Education resolved to authorize the establishment of the Ohio County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Ohio County Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

*Government - wide Statements:* The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. *Business-type activities* are financed in whole or in part by fees charged to external parties.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**OHIO COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Presentation (continued)

manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or government function is self-financing or draws from the general revenues of the District.

*Fund Financial Statements:* The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* are presented. The emphasis of fund financial statements is on major governmental, enterprise, and fiduciary funds, each displayed in a separate column. All remaining governmental, enterprise, and fiduciary funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounting for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total fund balances. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

Governmental Fund Types

These are the funds through which most governmental functions typically are financed. These funds included in this category are as follows:

General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. The General Fund is a major fund of the District.

**OHIO COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Governmental Fund Types (continued)

Special Revenue Fund accounts for proceeds of specific revenue sources (other than debt service, enterprise funds, or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. In addition, the Kentucky Education Technology System (KETS) allocation and local district matching funds are being recorded in the special revenue fund as required by the Kentucky Department of Education. These funds are restricted for the purchase of technology consistent with the District's approved technology plan. The Special Revenue Fund is a major fund of the District.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds) and to provide financial resources for debt service requirements.

The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the State as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan, and certain operating costs.

The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.

The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. The Construction Fund is a major fund of the District.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

Proprietary Fund Types

These funds account for operations that are organized to be self-supporting through user charges. The funds included in this category are Enterprise Funds.

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U. S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.



**OHIO COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Proprietary Fund Types (continued)

The School-wide Day Care Fund is used to account for after school and summer day care services offered to the general public.

The School Auditorium Fund is used to account for the funds donated in order to construct a school auditorium once adequate funds are received. The general public will have access to the auditorium.

Fiduciary Fund Type (includes agency and private purpose trust funds)

Fiduciary Funds account for assets held by the District in a trustee capacity (trust funds) or as an agent on behalf of others (agency funds).

The Agency Fund consists of Activity funds and accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with *Accounting Procedures for Kentucky School Activity Funds*.

The Private Purpose Trust Fund is used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds presented in the fund financial statements use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

The records of the District are maintained and the budgetary process is based on the modified accrual basis of accounting. This practice is the accounting method prescribed by the Committee for School District Audits. The District is required by state law to adopt annual budgets for the general fund, special revenue fund and capital projects funds. Each budget is presented on the modified actual basis of accounting which is consistent with the fund financial statement presentation with the exception of employee benefits paid by the state on behalf of the district. Such benefits are reported as expenditures in the General Fund financial statements based on labor distribution, but are not included in the annual budget.

For financial purposes, the accounting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for by using a current financial resources measurement focus. With this measurement focus, only current assets and liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance.

**OHIO COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Accounting (continued)

The financial statements of governmental fund types are prepared on the modified accrual basis of accounting. On this basis of accounting, revenues are recognized when they become measurable and available as assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is interest on general long-term debt, which is recognized as an expenditure when paid. The proprietary funds are accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when they are incurred.

Exchange and Non-exchange transactions - There are two types of transactions: exchange and nonexchange. The method of determining revenue recognition (i.e., accrual v. modified accrual) depends upon the type of exchange as well as source of revenue. Exchange transactions occur when each party receives essentially equal value. Non-exchange transactions occur when one party receives value without directly giving equal value in return.

Modified Accrual - Revenue from non-exchange transactions (e.g., grants, entitlements and donations) must be available to be recognized. These sources of revenue are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenues from exchange transactions are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For the District, "available" means within sixty days of June 30. Property tax revenue is recognized in the fiscal year for which the taxes are levied. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. Under the modified basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Accrual - Under the accrual basis of accounting, revenues are recorded when an exchange takes place. Expenses are recognized at the time they are incurred.

Encumbrance Accounting - Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Kentucky Law, appropriations lapse at fiscal year end. Encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

Investments

KRS 66.480 authorizes the District to invest in obligations of the United States, U.S. government obligations and contracts, obligations of U.S. government corporations, certificates of deposit, uncollateralized CD's, banker's acceptances, commercial paper, bonds of Kentucky, securities issued by states or local governments or shares of mutual funds.

Investments are reported at fair value which is determined using selected bases. Short term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount.

**OHIO COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Budgetary Process

The District is required by state law to adopt annual budgets for the general fund, special revenue funds, debt service fund and capital projects fund. Each budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles (GAAP).

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to May 15 of the preceding fiscal year, the district prepares a tentative working budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board of Education is then called for the purpose of adopting the tentative working budget by May 15.
3. Prior to September 15, the working budget is legally enacted through passage of a resolution by the Board of Education.
4. The budget must be submitted to the Kentucky Board of Education by September 15 for approval.

Once the budget is approved, it can be amended at the Function and Fund level. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended. Individual amendments were not material in relation to original appropriations. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

Inventory in the General Fund consists of transportation supplies. All other supplies and materials in the General Fund are charged to expenditures when purchased. Inventories are valued at cost using the first-in, first-out method.

The Food Service Fund's inventories consist of food and supplies valued at cost and government commodities, whose value is determined by the U.S. Department of Agriculture.

**OHIO COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Amortization expense for capital leases is included with depreciation expense. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The assessment date of the property taxes is January 1 of each year. The levy is normally set during the September board meeting. Assuming property tax bills are timely mailed, the collection date is the period from September 15 through December 31. Collections from the period September 15 through November 1 receive a two percent discount. The due date is the period from November 2 through December 31 in which no discount is allowed. Property taxes received subsequent to December 31 are considered to be delinquent and subject to a lien being filed by the County Attorney.

The property tax rates for assessed for the year ended June 30, 2012, to finance the General Fund operations were \$.451 per \$100 valuation of real property, \$.451 per \$100 valuation of business personal property and \$.518 per \$100 valuation fro motor vehicles.

**OHIO COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Property Taxes (continued)

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communication services, cablevision services, electronic power, water, and natural, artificial and mixed gas.

Deferred Revenues

Revenues from federal, state and local grants are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenues until earned in the governmental funds financial statements.

Accrued Sick Leave

The District allows employees to accumulate and carry over sick days from year to year. The amount of total days that may be carried over from year to year is unlimited. Upon retirement from the school system, employees will receive an amount up to thirty percent (30%) of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. It is deemed probable that benefits will be paid to certified employees with twenty or more years experience and classified employees with ten or more years experience. At June 30, 2012, the accumulated sick leave liability totaled \$740,799.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accrued sick leave" in the general fund. The noncurrent portion of the liability is not reported.

**NOTE B - ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE C - CASH AND CASH EQUIVALENTS**

The District's cash and cash equivalents consist of amounts deposited in interest bearing accounts. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At June 30, 2012, the carrying amount of the District's combined deposits (cash and cash equivalents) were \$5,442,431 and the bank balances were \$10,013,109, which were covered by the combination of FDIC insurance and collateral held by the District's agent in the District's name at June 30, 2012.

**OHIO COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE C - CASH AND CASH EQUIVALENTS (continued)**

The carrying amounts of deposits in cash and cash equivalents reflected in the financial statements are:

Governmental funds	\$ 4,660,006
Proprietary funds	521,608
Fiduciary Funds	<u>260,817</u>
Total	\$ <u>5,442,431</u>

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2012 all of the District's deposits meet current guidelines and none were exposed to custodial credit risk.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

- |            |   |
|------------|---|
| Category 1 | Deposits that are insured or collateralized with securities held by the District or by its agent in the District's name.                        |
| Category 2 | Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. |
| Category 3 | Deposits which are not collateralized or insured.   |

Based on these three levels of risk, all of the District's cash deposits are classified as Category 2.

**NOTE D - INVESTMENTS**

The private purpose trust funds consist of the following investments at June 30, 2012:

Money market	\$ 96,372
Stocks and mutual funds	47,998
Debt securities	<u>4,690,520</u>
Total	\$ <u>4,834,890</u>

**OHIO COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE D - INVESTMENTS (continued)**

Investments are included in the balance sheet at fair market value, under the caption Investments. The types of investments categorized below represent all types of investments utilized by the District during the period as of June 30, 2012:

<u>Fund Type</u>	<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (months)</u>	<u>Rating</u>
Private Purpose Trust Fund	Money Market	\$ 96,372	N/A	NR
Private Purpose Trust Fund	Common Stock	657	N/A	NR
Private Purpose Trust Fund	Mutual Funds	47,341	N/A	NR
Private Purpose Trust Fund	Corporate	16,065	117	A1
Private Purpose Trust Fund	Corporate	84,017	292	A2
Private Purpose Trust Fund	Corporate	15,002	278	A3
Private Purpose Trust Fund	Corporate	20,414	156	B+
Private Purpose Trust Fund	Corporate	26,023	171	BBB+
Private Purpose Trust Fund	Kentucky Municipal	25,627	155	A+
Private Purpose Trust Fund	Kentucky Municipal	163,905	147	A2
Private Purpose Trust Fund	Kentucky Municipal	261,822	144	AA2
Private Purpose Trust Fund	Kentucky Municipal	1,078,969	146	AA3
Private Purpose Trust Fund	Kentucky Municipal	70,475	228	AAA
Private Purpose Trust Fund	Kentucky Municipal	27,035	217	BAA1
Private Purpose Trust Fund	Kentucky Municipal	60,931	276	NR
Private Purpose Trust Fund	U.S. Agencies	2,825,182	257	AAA
Private Purpose Trust Fund	U.S. Agencies	15,053	73	NR
	Total	<u>\$ 4,834,890</u>		

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value and investment. The District manages its exposure to declines in fair value by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or approaching maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

The trust agreements do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**OHIO COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE D - INVESTMENTS (continued)**

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Under Kentucky Revised Statutes Section 66.480, the District is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or of its agencies, obligations of any corporation of the United States government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and shares in mutual funds. The District's investment policy only allows investment choices that are in compliance with the state statutes. All investments held by the District are insured or collateralized with securities held by the District or by its agent in the District's name, except for the money market mutual funds.

Under trust agreements, the District is authorized to invest in income producing assets which are insured by either the federal or any state government, or instrumentalities thereof, or in items known as "investment grade securities." Prior to the death of the settler, the assets are required to be such items that will produce income free and clear of federal and Kentucky income taxes. After the death of the settler, the investments are limited only to prevailing state statutes.

Concentration of Credit Risk

The trust agreements do not place a limit on the amount the District may invest in any one issuer. More than five percent of the trust's investments are in, U.S. agency, and Kentucky municipal bonds. These investments are 61% and 36%, respectively, of the trust's total investments.



**OHIO COUNTY SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2012**

**NOTE E - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Governmental Activities:				
Capital assets not depreciated:				
Land	\$ 456,873	\$ -	\$ -	\$ 456,873
Construction in progress	1,376,237	654,618	122,380	1,908,475
Total capital assets not depreciated	<u>1,833,110</u>	<u>654,618</u>	<u>122,380</u>	<u>2,365,348</u>
Capital assets depreciated:				
Land improvements	2,127,822	-	-	2,127,822
Buildings	67,772,426	31,310	8,868	67,794,868
Equipment	3,292,901	40,003	34,992	3,297,912
Technology equipment	3,222,762	463,122	407,345	3,278,539
Vehicles	4,214,793	-	39,621	4,175,172
Total capital assets depreciated	<u>80,630,704</u>	<u>534,435</u>	<u>490,826</u>	<u>80,674,313</u>
Less accumulated depreciation:				
Land improvements	990,724	94,910	-	1,085,634
Buildings	23,450,712	1,423,205	8,425	24,865,492
Equipment	1,485,468	196,222	17,780	1,663,910
Technology equipment	2,231,122	459,170	387,937	2,302,355
Vehicles	2,751,459	300,214	39,621	3,012,052
Total accumulated depreciation	<u>30,909,484</u>	<u>2,473,721</u>	<u>453,762</u>	<u>32,929,443</u>
Total capital assets depreciated, net	<u>49,721,220</u>	<u>(1,939,286)</u>	<u>37,064</u>	<u>47,744,870</u>
Total capital assets, net	<u>\$ 51,554,330</u>	<u>\$(1,284,668)</u>	<u>\$ 159,444</u>	<u>\$ 50,110,218</u>
Business-type activities:				
Capital assets depreciated:				
Equipment	\$ 1,248,645	\$ 22,539	\$ 53,815	\$ 1,217,369
Technology equipment	29,865	-	3,201	26,664
Total capital assets depreciated	<u>1,278,510</u>	<u>22,539</u>	<u>57,016</u>	<u>1,244,033</u>
Less accumulated depreciation:				
Equipment	805,167	52,964	52,893	805,237
Technology equipment	19,930	3,013	3,201	19,742
Total accumulated depreciation	<u>825,097</u>	<u>55,977</u>	<u>56,094</u>	<u>824,979</u>
Total capital assets depreciated, net	<u>453,413</u>	<u>(33,437)</u>	<u>922</u>	<u>419,054</u>
Total capital assets, net	<u>\$ 453,413</u>	<u>\$ (33,437)</u>	<u>\$ 922</u>	<u>\$ 419,054</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated."

**OHIO COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE F - BOND AND OTHER LONG-TERM DEBT**

The District is required to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Ohio County Public School District Finance Corporation to construct school facilities. Current requirements for principal and interest expenditures are accounted for in the Building Fund in accordance with state law. The District is liable for all issues; however, School Facilities Construction Commission participates by contributing those portions of debt that are appropriated in the State's biennial budget.

The District is contingently liable for the debt listed below under Kentucky School Facilities Construction Commission (KSFCC). The Kentucky General Assembly created the KSFCC for the purpose of assisting local schools in meeting school construction needs.

The issue date, original amounts of the issue, interest rates, and balances are summarized below:

<u>Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>
2003A	2,460,000	2014	2.80-3.00%
2003B	3,030,000	2016	2.95-3.30%
2005	4,450,000	2020	3.375-4.10%
2008	11,105,000	2028	3.50-5.40%
2009	565,000	2029	3.875%
2010	930,000	2019	1.20-3.10%
2010	890,000	2030	1.40-4.80%
2010 2 <sup>ND</sup>	1,615,000	2014	1.50%
2010 3 <sup>RD</sup>	1,340,000	2022	1.00-2.50%

**OHIO COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE F - BOND AND OTHER LONG-TERM DEBT (continued)**

Assuming the issues are not called prior to scheduled maturity, the minimum obligations at June 30, 2012 for debt service are as follows, which includes "participation agreements" with the Kentucky School Facilities Construction Commission:

Year	Ohio County School District		School Facilities Construction Commission		Total
	Principal	Interest	Principal	Interest	
2013	\$ 844,216	\$ 690,454	\$ 735,784	\$ 142,572	\$ 2,413,027
2014	855,034	670,342	699,966	123,746	2,349,089
2015	902,464	647,930	217,536	104,761	1,872,691
2016	931,177	619,496	223,823	98,466	1,872,962
2017	959,557	589,025	220,443	91,577	1,860,602
2018	992,880	551,992	227,120	84,089	1,856,081
2019	1,032,293	513,533	242,707	76,262	1,864,795
2020	1,075,297	473,555	134,703	67,814	1,751,368
2021	1,120,034	430,661	139,966	62,551	1,753,212
2022	1,159,256	392,397	145,744	56,772	1,754,170
2023	1,207,922	351,932	152,078	50,439	1,762,371
2024	1,261,170	298,198	158,830	43,688	1,761,886
2025	1,319,119	242,187	165,881	36,637	1,763,824
2026	1,376,755	183,596	173,245	29,272	1,762,869
2027	1,438,978	122,350	181,022	21,495	1,763,845
2028	1,370,765	56,958	189,235	13,282	1,630,240
2029	25,587	-335	49,413	4,696	79,361
2030	6,392	-603	38,608	2,397	46,794
2031	4,359	-189	30,641	736	35,546
Total	<u>\$ 17,883,255</u>	<u>\$ 6,833,479</u>	<u>\$ 4,126,745</u>	<u>\$ 1,111,252</u>	<u>\$ 29,954,733</u>

The District has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations.

Maturities of capital leases are as follows for the fiscal year ending June 30:

2013	\$ 148,835
2014	92,628
2015	14,136
2016	<u>4,201</u>
Total	<u>\$ 259,800</u>

**OHIO COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
June 30, 2012

**NOTE F - BOND AND OTHER LONG-TERM DEBT (continued)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>PRIMARY GOVERNMENT</b>					
Leases	\$ 395,851	\$ -	\$ 136,051	\$ 259,800	\$ 148,835
Revenue bonds	23,550,000	-	1,540,000	22,010,000	1,580,000
Accrued sick leave	806,865	12,362	78,428	740,799	95,765
	<u>\$24,752,716</u>	<u>\$ 12,362</u>	<u>\$1,754,479</u>	<u>\$23,010,599</u>	<u>\$1,824,600</u>

**NOTE G - RETIREMENT PLANS**

Kentucky Teachers' Retirement System (KTRS)

The District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS web site at <http://www.ktrs.ky.gov/>.

*Funding policy:* Contribution rates are established by KRS. Members who established an account in a state retirement system before July 2008 are required to contribute 10.355% of their salaries to KTRS. Members after July 2008 contribute an additional 0.5%. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members in a state retirement system before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions.

Medical Insurance Plan

*Plan description:* In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide access to post-employment healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

**OHIO COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE G - RETIREMENT PLANS (continued)**

*Funding policy:* In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Those who became members before July 1, 2008 contribute 1.25% of salary to the plan. Member contributions are 1.75% of salary for those who became members after July 1, 2008. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 0.5% of members' salary for the 2011-2012 fiscal year.

The District's total payroll for the year was \$ 21,032,180. The payroll for employees covered under KTRS was \$ 15,415,128. For the year ended June 30, 2012, the Commonwealth contributed \$ 1,812,640 to KTRS for the benefit of participating employees. The District's contributions to KTRS for the year ending June 30, 2012 were \$ 297,413, which represents those employees covered by federal programs.

Kentucky Teachers' Retirement System (KTRS) (continued)

*On-behalf Payments:* The District records the 13.105% and 14.105% contributions made by the Commonwealth of Kentucky, as required to conform with generally accepted accounting principles. This amount was \$ 1,812,640.

County Employees Retirement System (CERS)

*Plan Description:* All full-time employees of the Ohio County School District that are not covered under KTRS, are covered by the County Employees Retirement System (CERS), which is a cost-sharing multiple-employer defined benefit plan. KRS 78.510 through 78.852 of the Commonwealth of Kentucky assigns the authority to establish and amend the benefit provision of the plan. The County Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601-6124, or by calling 502-564-4646.

*Funding Policy:* CERS members are required to contribute 5% (6% starting September 1, 2011) of their gross earnings to the pension plan. The District is required to contribute at an actuarially determined rate; the current rate is 18.96% of the annual covered payroll. The contribution requirements of plan members and the employers are established and may be amended by the CERS Board of Trustees as required by KRS 61.565.

The District's total payroll for the year ended June 30, 2012 was \$ 21,032,180 and the payroll for employees covered under CERS was \$ 5,588,508.

The contribution requirement for CERS for the year ended June 30, 2012 was \$ 1,345,935 which consisted \$ 1,059,582 from the District and \$ 286,353 from the employees.

*Benefits:* The pension plan provides for retirement, disability, and death benefits. A member may retire after reaching the age of 55 or accumulating 27 years of service with the District or another entity covered by the CERS. Benefits vest after 5 years of service. Employees who retire at or after age 65 with 48 or more months of credited service are entitled to pension payments for the remainder of their lives equal to between 2.0% and 2.2% of their final, five-year average salary times the number of years for which they were employed by a participant in the retirement system. The final compensation is the average of the five fiscal years during which the member had the highest average monthly salary.

**OHIO COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE G - RETIREMENT PLANS (continued)**

Pension provisions include death and disability benefits. Disability benefits are calculated the same as for normal retirement except that additional years of service may be added to the employee's account, depending on the employee's age and years of service. Death benefits payable to the beneficiary are based on the amount payable had the member filed for retirement at the time of death. If the beneficiary is one person, that person may choose a lifetime monthly benefit.

Three-year Trend Information. Employer contributions (in thousands):

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2010	\$ 897	100%	\$ -0-
2011	\$ 933	100%	\$ -0-
2012	\$ 1,059	100%	\$ -0-

**NOTE H - COMMITMENTS AND CONTINGENCIES**

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

During the fiscal year ended June 30, 2012, The District received checks totaling \$90,152 from Conseco Life Insurance Company. By letter dated June 1, 2012, Conseco requested the return of the entire amount. Discussions are now in process to determine who is the rightful owner of the funds. Until such time as ownership has been established, the District has opened a separate interest bearing account to hold the funds. It is at least reasonably possible the District will have to repay these funds.

The District is subject to various legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress.

**NOTE I – RISK MANGEMENT**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively rated which include workers' compensation insurance.

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association.

**OHIO COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE I – RISK MANGEMENT (continued)**

Workers' Compensation The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount.

Unemployment Insurance

The District obtains unemployment insurance coverage through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, the risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance coverage for all other risk of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three fiscal years.

**NOTE J – COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

**NOTE K - DEFICIT OPERATING/FUND BALANCES**

There are no funds of the District which currently have a deficit fund balance. The following funds had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

Special Revenue	\$ (184,875)
Construction Fund	(103,702)
Debt Service Fund	(42)
Food Service Fund	(89,182)
Day Care Fund	(11,448)

**OHIO COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE L - TRANSFER OF FUNDS**

The following transfers were made during the year.

Type	From Fund	To Fund	Purpose	Amount
Operating	1	2	Operating	\$ 374,145
Operating	2	1	Operating	167,160
Operating	51	1	Indirect Costs	159,473
Operating	1	360	Construction	263,251
Operating	2	360	Construction	126,000
Operating	310	360	Construction	86,944
Operating	310	400	Debt Service	268,226
Operating	360	400	Debt Service	1,263,725
				<u>2,708,925</u>
Operating	51	1	Indirect Costs	<u>159,473</u>
				<u>\$ 2,549,452</u>

**NOTE M - ON - BEHALF PAYMENTS**

For the year ended June 30, 2012, total payments of \$ 5,907,560 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. For the year ended June 30, 2012, total payments of \$ 878,356 were made for bond payments by the Kentucky School Facility Construction Commission. These payments were recognized as on-behalf payments and recorded in the appropriate fund's revenue and expense accounts on the statement of revenue, expenditures and changes in fund balances.

**NOTE N – FUND BALANCE**

Nonspendable Fund Balance includes amounts that are (a) not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable. At June 30, 2012, the District had nonspendable fund balances of \$616,559 for Prepaid Expenses and Inventories in the General Fund.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2012, the District had the restricted \$100,000 for sick leave payable in the General Fund; \$1,991,325 for capital projects in the Construction Fund; \$33,567 in the SEEK Capital Outlay Fund; and \$1,862 in the Debt Service Funds.



**OHIO COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE N – FUND BALANCE (continued)**

Committed fund balances are those amounts that can only be used for specific purpose pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. At June 30, 2012, the District had committed \$863,685 for new assets in the General Fund.

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrances of funds.

Assigned fund balance also include (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for specific purpose. At June 30, 2012, the District had assigned the following fund balances for Purchase Order Obligations: \$126,803 in the General Fund; and \$119,069 in the Special Revenue Fund.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purpose for which both restricted and unrestricted fund balance is available. Also, the District has established the order of assigned, committed, and restricted when an expenditures is incurred for purposed for which amounts in any of those unrestricted fund balance classifications could be used.

**NOTE O - PRIOR PERIOD ADJUSTMENT**

The accompanying financial statements have been adjusted to show the correct balance of accrued liabilities at year end and beginning of the year inventory. A portion of these adjustments pertained to prior years.

The effect of the restatement in the fund financials was to increase beginning fund balance by \$ 392,125, to increase inventory by \$195,399, and reduce accrued liabilities by a net of \$ 196,726.

The effect of the restatement in the government-wide financials was to increase beginning net assets by \$901,689, to increase inventory by \$195,399, and reduce accrued liabilities by a net of \$ 706,290.

**NOTE P - SUBSEQUENT EVENTS**

Legal proceedings brought against the District by a former employee were settled subsequent to year end. A material amount was awarded, but the district believes that the settlement will be covered by insurance in its entirety.

The District did not have any other subsequent events through November 13, 2012, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the year ended June 30, 2012.

## SUPPLEMENTARY INFORMATION

**OHIO COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the year ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
From local sources				
Property taxes	\$ 3,640,000	\$ 3,640,000	\$ 3,773,471	\$ 133,471
Motor vehicle taxes	600,000	600,000	624,208	24,208
Unmined minerals	150,000	450,000	474,974	24,974
Utility taxes	1,275,000	1,275,000	1,420,141	145,141
Franchise taxes	-	-	-	-
Other taxes	20,000	20,000	35,774	15,774
Revenue other local government units	-	-	-	-
Tuition and fees	-	-	-	-
Transportation	-	-	-	-
Earnings on investments	50,000	50,000	24,547	(25,453)
Student activities	-	-	-	-
Community service activities	-	-	-	-
Other local revenues	336,000	334,884	321,819	(13,065)
State sources				
SEEK	16,040,000	16,040,000	16,549,498	509,498
Other	128,000	128,000	5,796,204	5,668,204
Federal - direct	-	-	51,509	51,509
Federal - indirect	-	-	-	-
Intermediate sources	-	-	-	-
Other revenues	-	-	675	675
<b>Total revenues</b>	<b>22,239,000</b>	<b>22,537,884</b>	<b>29,072,820</b>	<b>6,534,936</b>
<b>Expenditures</b>				
Instruction	12,359,784	12,383,680	15,993,879	(3,610,199)
Support services				
Student	976,998	981,478	1,229,506	(248,028)
Instruction staff	926,401	920,511	1,140,858	(220,347)
District administration	1,099,982	1,518,878	493,610	1,025,268
School administration	1,565,074	1,584,269	1,908,986	(324,717)
Business	739,012	774,210	1,011,861	(237,651)
Plant operation and maintenance	3,493,546	3,448,611	3,780,473	(331,863)
Student transportation	2,251,993	2,251,461	2,791,280	(539,819)
Central office	-	-	-	-
Food service operation	-	-	266	(266)
Community services	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Other	-	-	-	-
<b>Total expenditures</b>	<b>23,412,789</b>	<b>23,863,099</b>	<b>28,350,720</b>	<b>(4,487,621)</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>(1,173,789)</b>	<b>(1,325,215)</b>	<b>722,101</b>	<b>2,047,316</b>
<b>Other Financing Sources (Uses)</b>				
Capital lease proceeds	-	-	-	-
Operating transfers in	165,768	166,884	326,625	159,741
Operating transfers out	(391,979)	(459,444)	(637,397)	(177,953)
<b>Total other financing sources (uses)</b>	<b>(226,211)</b>	<b>(292,560)</b>	<b>(310,772)</b>	<b>(18,212)</b>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	<b>(1,400,000)</b>	<b>(1,617,775)</b>	<b>411,329</b>	<b>2,029,104</b>
<b>Net change in fund balances</b>	<b>(1,400,000)</b>	<b>(1,617,775)</b>	<b>411,329</b>	<b>2,029,104</b>
<b>Fund balance, June 30, 2011</b>	<b>1,400,000</b>	<b>1,617,775</b>	<b>2,403,529</b>	<b>785,754</b>
<b>Fund balance, June 30, 2012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,814,858</b>	<b>\$ 2,814,858</b>

Note : On-behalf payments are not budgeted.

**OHIO COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - Special Revenue Fund**  
**For the year ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
From local sources				
Property taxes	\$ -	\$ -	\$ -	\$ -
Motor vehicle taxes	-	-	-	-
Unmined minerals	-	-	-	-
Utility taxes	-	-	-	-
Other taxes	-	-	-	-
Revenue other local government units	-	-	-	-
Tuition and fees	-	-	-	-
Transportation	-	-	-	-
Earnings on investments	-	-	793	793
Student activities	57,500	57,500	-	(57,500)
Other local revenues	48,104	45,304	487,948	442,644
State sources	-	-	-	-
SEEK	-	-	-	-
Other	1,257,452	1,320,078	1,373,373	53,295
Federal - direct	-	-	-	-
Federal - indirect	2,695,664	2,681,168	3,134,963	453,795
Intermediate sources	-	-	-	-
Other revenues	-	4,638	4,713	75
<b>Total revenues</b>	<b>4,058,720</b>	<b>4,108,688</b>	<b>5,001,790</b>	<b>893,102</b>
<b>Expenditures</b>				
Instruction	3,337,914	3,297,194	3,857,920	(560,726)
Support services				
Student	22,398	22,398	41,364	(18,966)
Instruction staff	543,225	556,615	620,203	(63,588)
District administration	-	-	-	-
School administration	-	2,173	5,848	(3,676)
Business	-	140,068	366,566	(226,498)
Plant operation and maintenance	-	-	1,561	(1,561)
Student transportation	79,866	80,866	62,093	18,773
Central office	-	-	-	-
Food service operation	8,014	8,014	7,868	146
Community services	395,904	389,062	384,689	4,373
Facilities acquisition and construction	-	-	-	-
Other	-	-	-	-
<b>Total expenditures</b>	<b>4,387,321</b>	<b>4,496,389</b>	<b>5,348,111</b>	<b>(851,722)</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>(328,601)</b>	<b>(387,702)</b>	<b>(346,321)</b>	<b>41,380</b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	378,869	450,747	374,154	(76,593)
Operating transfers out	(50,268)	(77,768)	(293,160)	(215,392)
<b>Total other financing sources (uses)</b>	<b>328,601</b>	<b>372,979</b>	<b>80,994</b>	<b>(291,985)</b>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	<b>-</b>	<b>(14,723)</b>	<b>(265,328)</b>	<b>(250,605)</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>(14,723)</b>	<b>(184,875)</b>	<b>(170,153)</b>
<b>Fund balance, June 30, 2011</b>	<b>-</b>	<b>-</b>	<b>593,348</b>	<b>593,348</b>
<b>Fund balance, June 30, 2012</b>	<b>\$ -</b>	<b>\$ (14,723)</b>	<b>\$ 408,473</b>	<b>\$ 423,195</b>

OHIO COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2012

	Capital Outlay Fund	Building Fund	Debt Service Fund	Total Nonmajor Govt. Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 34,099	\$ -	\$ 1,862	\$ 35,961
Investments	-	-	-	-
Accounts receivable				
Taxes - current	-	-	-	-
Taxes - delinquent	-	-	-	-
Other	-	-	-	-
Intergovernmental - State	-	-	-	-
Intergovernmental - Federal	-	-	-	-
Prepaid expense	-	-	-	-
Due from other funds	-	-	-	-
Interest receivable	-	-	-	-
<b>Total assets</b>	<u>\$ 34,099</u>	<u>\$ -</u>	<u>\$ 1,862</u>	<u>\$ 35,961</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Retained percentage contracts	-	-	-	-
Accrued payroll and related expenses	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenues	-	-	-	-
Obligations under capital lease	-	-	-	-
Debt obligations	-	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>				
Nonspendable	-	-	-	-
Restricted	33,567	-	1,862	35,429
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	532	-	-	532
<b>Total fund balances</b>	<u>34,099</u>	<u>-</u>	<u>1,862</u>	<u>35,961</u>
<b>Total liabilities and fund balances</b>	<u>\$ 34,099</u>	<u>\$ -</u>	<u>\$ 1,862</u>	<u>\$ 35,961</u>

OHIO COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the year ended June 30, 2012

	Capital Outlay Fund	Building Fund	Debt Service Fund	Total Nonmajor Govt. Funds
<b>Revenues</b>				
From local sources				
Property taxes	\$ -	\$ 481,352	\$ -	\$ 481,352
Motor vehicle taxes	-	60,663	-	60,663
Unmined minerals	-	-	-	-
Utility taxes	-	-	-	-
Other taxes	-	-	-	-
Revenue other local government units	-	-	-	-
Tuition and fees	-	-	-	-
Transportation	-	-	-	-
Earnings on investments	-	-	6	6
Student activities	-	-	-	-
Other local revenues	-	-	-	-
State sources				
SEEK	-	-	-	-
Other	355,702	721,710	869,435	1,946,847
Intermediate sources	-	-	-	-
Federal - direct	-	-	-	-
Immediate sources	-	-	11,576	11,576
Other revenues	-	-	-	-
<b>Total revenues</b>	<u>355,702</u>	<u>1,263,725</u>	<u>881,017</u>	<u>2,500,444</u>
<b>Expenditures</b>				
Instruction	-	-	-	-
Support services				
Student	-	-	-	-
Instruction staff	-	-	-	-
District administration	-	-	-	-
School administration	-	-	-	-
Business	-	-	-	-
Plant operation and maintenance	-	-	-	-
Student transportation	-	-	-	-
Central office	-	-	-	-
Food service operation	-	-	-	-
Community service activities	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Other	-	-	2,413,010	2,413,010
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>2,413,010</u>	<u>2,413,010</u>
<b>Excess (deficit) of revenues over expenditures</b>	<u>355,702</u>	<u>1,263,725</u>	<u>(1,531,993)</u>	<u>87,434</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds of refunding debt	-	-	-	-
Payment to refunding debt escrow agent	-	-	-	-
Operating transfers in	-	-	1,531,951	1,531,951
Operating transfers out	(355,170)	(1,263,725)	-	(1,618,895)
<b>Total other financing sources (uses)</b>	<u>(355,170)</u>	<u>(1,263,725)</u>	<u>1,531,951</u>	<u>(86,944)</u>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	<u>532</u>	<u>-</u>	<u>(42)</u>	<u>490</u>
<b>Net change in fund balances</b>	<u>532</u>	<u>-</u>	<u>(42)</u>	<u>490</u>
<b>Fund balance, June 30, 2011</b>	<u>33,567</u>	<u>-</u>	<u>1,904</u>	<u>35,471</u>
<b>Fund balance, June 30, 2012</b>	<u>\$ 34,099</u>	<u>\$ -</u>	<u>\$ 1,862</u>	<u>\$ 35,961</u>

OHIO COUNTY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
COMBINING NONMAJOR PROPRIETARY FUNDS  
June 30, 2012

ASSETS	School Age Child Care Program	School Auditorium	Total
<b>Current Assets</b>			
Cash and cash equivalents	\$ 5,335	\$ 3,502	\$ 8,837
Accounts receivable - other	5,248	-	5,248
Inventories	-	-	-
<b>Total current assets</b>	<u>10,583</u>	<u>3,502</u>	<u>14,085</u>
<b>Noncurrent Assets</b>			
Capital assets	-	-	-
Less: Accumulated depreciation	-	-	-
<b>Total noncurrent assets</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 10,583</u>	<u>\$ 3,502</u>	<u>\$ 14,085</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 543	\$ -	543
Accrued payroll and withholding obligations	-	-	-
<b>Total current liabilities</b>	<u>543</u>	<u>-</u>	<u>543</u>
<b>Total liabilities</b>	<u>\$ 543</u>	<u>\$ -</u>	<u>\$ 543</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	-	-	-
Restricted	10,040	3,502	13,542
Unrestricted	-	-	-
<b>Total net assets</b>	<u>\$ 10,040</u>	<u>\$ 3,502</u>	<u>\$ 13,542</u>

OHIO COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
NONMAJOR PROPRIETARY FUNDS  
For the year ended June 30, 2012

	School Age Child Care Program	School Auditorium	Total
<b>Operating Revenues</b>			
Food service sales	\$ -	\$ -	\$ -
Other operating revenues	97,472	-	97,472
<b>Total operating revenues</b>	<u>97,472</u>	<u>-</u>	<u>97,472</u>
<b>Operating Expenses</b>			
Salaries and wages	104,466	-	104,466
Professional and contract services	395	-	394
Supplies and materials	4,060	-	4,060
Depreciation	-	-	-
Other operating expenses	-	-	-
<b>Total operating expenses</b>	<u>108,920</u>	<u>-</u>	<u>108,921</u>
<b>Operating income (loss)</b>	<u>(11,448)</u>	<u>-</u>	<u>(11,449)</u>
<b>Nonoperating revenues (expenses)</b>			
Federal grants	-	-	-
State grants	-	-	-
Other state funding	-	-	-
Donated commodities	-	-	-
Interest income	-	-	-
<b>Total nonoperating revenues (expenses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net income (loss) before transfers</b>	<u>(11,448)</u>	<u>-</u>	<u>(11,448)</u>
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in Net Assets</b>	<u>(11,448)</u>	<u>-</u>	<u>\$ (11,448)</u>
<b>Total net assets, June 30, 2011</b>	<u>21,488</u>	<u>3,502</u>	<u>\$ 24,990</u>
<b>Total net assets, June 30, 2012</b>	<u>\$ 10,040</u>	<u>\$ 3,502</u>	<u>\$ 13,542</u>



OHIO COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUNDS  
For the year ended June 30, 2012

	School Age Child Care Program	School Auditorium	Total
<b>Cash Flows from Operating Activities</b>			
Cash received from lunchroom sales	\$ -	\$ -	\$ -
Cash received from government grants	-	-	-
Cash received from other activities	95,539	-	95,539
Cash payments to employees for services	(104,466)	-	(104,466)
Less accrued liability	-	-	-
Cash payments to suppliers for goods and services	(5,289)	-	(5,289)
Cash payments for other operating activities	-	-	-
<b>Net cash from operating activities</b>	<b>(14,216)</b>	<b>-</b>	<b>(14,216)</b>
<b>Cash Flows from Capital Financing Activities</b>			
Transfers	-	-	-
Acquisition of capital assets	-	-	-
Disposal of capital assets	-	-	-
<b>Net cash from capital financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Noncapital Financing Activities</b>			
Nonoperating grants received	-	-	-
<b>Net cash from noncapital financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Investing Activities</b>			
Interest on investments	-	-	-
<b>Net cash flows from investing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	<b>(14,216)</b>	<b>3,502</b>	<b>(14,216)</b>
<b>Cash and cash equivalents - beginning</b>	<b>19,551</b>	<b>3,502</b>	<b>23,053</b>
<b>Cash and cash equivalents - ending</b>	<b>\$ 5,335</b>	<b>\$ 7,004</b>	<b>\$ 12,339</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating income (loss)	\$ (11,448)	\$ -	\$ (11,448)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Depreciation	-	-	-
Interest	-	-	-
Loss on disposal of assets	-	-	-
Changes in assets and liabilities:			
Receivables	(1,933)	-	(1,933)
Inventory	-	-	-
Accounts payable	(835)	-	(835)
Accrued liabilities	-	-	-
Deferred revenue	-	-	-
Due to other funds	-	-	-
<b>Net Cash Provided by Operating Activities</b>	<b>\$ (14,216)</b>	<b>\$ -</b>	<b>\$ (14,216)</b>

Noncash noncapital financing activities:

OHIO COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
AGENCY FUNDS  
June 30, 2012

	Southern Elementary School	Western Elementary School	Wayland Alexander Elementary School	Fordsville Elementary School	Horse Branch Elementary School	Beaver Dam Elementary School	Ohio County Middle School	Ohio County High School	Totals
<b>ASSETS</b>									
Cash and cash equivalents	\$ 14,963	\$ 7,758	\$ 18,058	\$ 6,976	\$ 11,789	\$ 15,827	\$ 49,028	\$ 58,161	\$ 182,559
Accounts receivable	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<u>\$ 14,963</u>	<u>\$ 7,758</u>	<u>\$ 18,058</u>	<u>\$ 6,976</u>	<u>\$ 11,789</u>	<u>\$ 15,827</u>	<u>\$ 49,028</u>	<u>\$ 58,161</u>	<u>\$ 182,559</u>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>Liabilities</b>									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,938	\$ -	\$ 10	\$ 1,948
Due to student groups	14,963	7,758	18,058	6,976	11,789	13,889	49,028	58,151	180,611
<b>Total liabilities</b>	<u>14,963</u>	<u>7,758</u>	<u>18,058</u>	<u>6,976</u>	<u>11,789</u>	<u>15,827</u>	<u>49,028</u>	<u>58,161</u>	<u>182,559</u>
<b>Fund Balances</b>									
Unrestricted	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-
<b>Total fund balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities and fund balances</b>	<u>\$ 14,963</u>	<u>\$ 7,758</u>	<u>\$ 18,058</u>	<u>\$ 6,976</u>	<u>\$ 11,789</u>	<u>\$ 15,827</u>	<u>\$ 49,028</u>	<u>\$ 58,161</u>	<u>\$ 182,559</u>

**OHIO COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
AGENCY FUNDS**

For the year ended June 30, 2012

	Southern Elementary School	Western Elementary School	Wayland Alexander Elementary School	Fordville Elementary School	Horse Branch Elementary School	Beaver Dam Elementary School	Ohio County Middle School	Ohio County High School	Totals
<b>Revenues</b>									
From local sources									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Motor vehicle taxes	-	-	-	-	-	-	-	-	-
Unmined minerals	-	-	-	-	-	-	-	-	-
Utility taxes	-	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-	-
Revenue other local government units	-	-	-	-	-	-	-	-	-
Tuition and fees	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-
Earnings on investments	-	-	-	-	-	-	-	-	-
Student activities	16,113	14,755	51,705	11,338	4,906	46,901	57,202	286,101	489,021
Other local revenues	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
SEEK	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
Federal - direct	-	-	-	-	-	-	-	-	-
Federal - indirect	-	-	-	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<u>16,113</u>	<u>14,755</u>	<u>51,705</u>	<u>11,338</u>	<u>4,906</u>	<u>46,901</u>	<u>57,202</u>	<u>286,101</u>	<u>489,021</u>
<b>Expenditures</b>									
Instruction	19,583	15,688	54,032	12,453	4,879	45,228	48,642	234,956	435,462
Support services	-	-	-	-	-	-	-	-	-
Student	-	-	-	-	-	-	-	-	-
Instruction staff	-	-	-	-	-	-	-	-	-
District administration	-	-	-	-	-	-	-	-	-
School administration	-	-	-	-	-	-	-	-	-
Business	-	-	-	-	-	-	-	-	-
Plant operation and maintenance	-	-	-	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-	-	-
Central office	-	-	-	-	-	-	-	-	-
Food service operation	-	-	-	-	-	-	-	-	-
Community service activities	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Other	(3,470)	(933)	(2,327)	(1,115)	27	1,673	8,560	51,143	53,559
<b>Total expenditures</b>	<u>16,113</u>	<u>14,755</u>	<u>51,705</u>	<u>11,338</u>	<u>4,906</u>	<u>46,901</u>	<u>57,202</u>	<u>286,101</u>	<u>489,021</u>
<b>Excess (deficit) of revenues over expenditures</b>	-	-	-	-	-	-	-	-	-
<b>Other Financing Sources (Uses)</b>									
Operating transfers in	-	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	-	-	-	-	-	-	-	-	-
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	-	-	-	-	-	-	-	-	-
<b>Net change in fund balances</b>	-	-	-	-	-	-	-	-	-
<b>Fund balance, June 30, 2011</b>	-	-	-	-	-	-	-	-	-
<b>Fund balance, June 30, 2012</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

OHIO COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES  
OHIO COUNTY HIGH SCHOOL  
ACTIVITY FUND  
Year Ended June 30, 2012

	Cash Balance 6/30/11	Receipts	Dis- bursements	Transfers	Cash Balance 6/30/12	Accounts Receivable (Payable)	Fund Balance 6/30/12
	\$	\$	\$	\$	\$	\$	\$
Athletics	65	-	-	(65)	-	-	-
Football	3	-	-	(3)	-	-	-
Ceramics-Student Fund	554	2,348	2,812	(51)	40	-	40
Broad Casting	66	155	221	-	-	-	-
Ref's	-	26,846	26,771	(75)	-	-	-
Football Playoffs	-	3,887	3,787	(100)	-	-	-
Girls District Soccer	-	3,514	3,514	-	-	-	-
District Volleyball	-	760	760	-	-	-	-
Parking Decal Fee	250	455	184	-	521	-	521
Locker Rental Fee	928	3,475	990	(3,400)	13	-	13
JROTC-Student Fees	1,145	2,506	2,346	100	1,405	-	1,405
Girls District Tourney	-	3,443	3,443	-	-	-	-
Girls Regional Tourney	-	1,782	1,782	-	-	-	-
Boys District Tourney	-	8,990	8,990	-	-	-	-
Boys Regional Tourney	-	6,643	6,783	140	-	-	-
Art Club	-	215	85	(130)	-	-	-
Beta Club	868	1,663	2,193	(200)	137	-	137
Bank Fees	1,239	214	1,453	-	-	-	-
Music Technology	110	40	131	50	69	-	69
Drama Club	626	1,058	1,378	-	307	-	307
English-Poetry	218	-	-	-	218	-	218
FCF	1,146	-	106	-	1,040	-	1,040
Photography Class	10	270	258	-	22	-	22
French Club	355	-	-	(355)	-	-	-
FFA	634	4,652	4,559	(500)	227	-	227
FCCLA	917	-	426	-	491	-	491
EBD	48	-	-	-	48	-	48
NHS	-	1,069	439	-	630	-	630
Pep Club	1,398	4,744	3,605	(1,230)	1,306	-	1,306
International Club	493	851	405	355	1,294	-	1,294
Student Council	420	-	36	-	384	-	384
STLP	569	60	(14)	-	643	-	643
Music Technology	-	50	-	(50)	-	-	-
OC Drug Free	141	765	800	-	106	-	106
Science Department	-	2,825	2,120	-	705	-	705
Intro to 3D	-	490	418	51	123	-	123
Theatrical Arts	-	105	-	-	105	-	105
Teacher Fund	-	417	285	-	132	-	132
Family Consumer Science	55	560	630	72	57	-	57
Horticulture	6,710	4,486	4,328	(600)	6,267	-	6,267
Eagle Excellence	1,403	195	715	-	882	-	882

OHIO COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES  
OHIO COUNTY HIGH SCHOOL  
ACTIVITY FUND  
Year Ended June 30, 2012

	Cash Balance 6/30/11 \$	Receipts \$	Dis- bursements \$	Transfers \$	Cash Balance 6/30/12 \$	Accounts Receivable (Payable) \$	Fund Balance 6/30/12 \$
VO AG Dept	2,121	-	1,989	-	132	-	132
Senior Class	-	5	-	(5)	-	-	-
Freshman Academy	1,250	530	1,764	(16)	-	-	-
Math Department	51	2,626	2,651	5	32	-	32
Seniors Activities	40	2,148	5,462	4,750	1,476	-	1,476
Law Enforcement Volunteers	12	-	-	(12)	-	-	-
General Fund	8,920	9,137	12,329	3,455	9,183	-	9,183
Jake Russell Scholarship	2,240	1,000	1,250	-	1,990	-	1,990
Paige Iglehard Scholarship	3,500	-	2,250	-	1,250	-	1,250
Annual	8,148	1,750	7,898	(2,000)	-	-	-
Marvie Baize Art Scholarship	-	1,000	-	-	1,000	-	1,000
Flower Fund	194	345	386	-	153	-	153
Liabrary	24	90	-	(61)	53	-	53
Lost Books	-	73	-	-	73	-	73
FEA	1,146	260	664	-	742	-	742
Choir Fund	1,033	7,920	8,708	-	245	-	245
Prom	2,744	8,900	6,146	(2,250)	3,248	-	3,248
Textbook Rental	-	12,095	12,095	-	-	-	-
Mock Trial	345	-	-	-	345	-	345
Western State Trip	96	1,226	1,256	-	66	-	66
Poster Maker	65	825	465	90	515	-	515
Girls in Science	2,060	1,950	2,259	-	1,752	-	1,752
Project Graduation	1,492	6,660	6,781	-	1,371	-	1,371
Guidance	680	1,028	207	-	1,501	-	1,501
AP Exam	-	7,756	7,393	-	363	-	363
Ceramics-Fundraiser	-	863	831	(32)	-	-	-
JROTC-Fundraiser	-	4,622	3,868	28	783	-	783
Annual-Fundraiser	-	3,940	94	-	3,846	-	3,846
OCHS Staff-Fundraiser	-	220	193	-	27	-	27
OCHS Staff-Fundraiser	-	759	494	-	265	-	265
Art Class-Fundraiser	-	2,339	2,303	-	35	-	35
FCCLA-Fundraiser	-	3,050	2,946	(100)	3	-	3
Beta Club-Fundraiser	-	6,874	6,021	-	852	-	852
Freshman Academy	-	12,472	11,646	16	842	-	842
FFA-Fundraiser	-	6,967	5,626	-	1,341	-	1,341
FFA-Fundraiser Beef	-	1,870	2,465	600	5	-	5
FFA-Fundraiser	-	6,000	4,820	-	1,180	-	1,180
Horticulture-Fundraiser	-	8,455	4,856	-	3,599	-	3,599
Pep Club-Fundraiser	-	357	317	-	40	-	40
Ceramics-Fundraiser	-	150	164	32	18	-	18
Art-Fundraiser-Donuts	-	1,086	1,086	-	-	-	-

OHIO COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES  
OHIO COUNTY HIGH SCHOOL  
ACTIVITY FUND

Year Ended June 30, 2012

	Cash Balance 6/30/11	Receipts	Dis- bursements	Transfers	Cash Balance 6/30/12	Accounts Receivable (Payable)	Fund Balance 6/30/12
	\$	\$	\$	\$	\$	\$	\$
NHS-Fundraiser-Christmas	-	5,244	5,300	800	744	-	744
Eagle Excellence-FU	-	300	1,166	926	60	-	60
Shooting for Senior	-	1,945	1,861	-	84	-	84
FFA-Farm City Supper	-	2,022	2,022	-	-	-	-
FFA-Donation Agriculture	-	-	44	500	456	-	456
FFA-Donation Action	-	500	79	-	421	-	421
Choir-Cookie Dough	-	1,080	799	-	281	-	281
Eagle Excellence-AL	-	2,618	1,692	(926)	-	-	-
Eagle Excellence-CA	-	570	570	-	-	-	-
Library-Book Fair	-	1,959	1,959	61	61	-	61
Beta Club-Key Chains	-	235	198	-	37	-	37
Art Club-Candy Bars	-	2,021	2,079	130	71	-	71
FCCLA-March of Dimes	-	307	307	-	-	-	-
FCCLA-Candy March of Dimes	-	457	457	-	-	-	-
FEA-Cookie Sales	-	266	-	-	266	-	266
NHS-Orange Leaf	-	182	-	-	182	-	182
Savings	49,518	32	49,550	-	-	-	-
Totals:	\$ 106,052	\$ 236,615	\$ 284,506	\$ -	\$ 58,161	\$ -	\$ 58,161

Cash Balances at June 30, 2011 and 2012 consist of:

	2011	2012
Cash in bank -Checking	\$ 56,534	\$ 58,161
Cash in bank -Savings	49,518	-
	\$ 106,052	\$ 58,161

OHIO-COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2012

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures (\$)</i>
<b>Child Nutrition Cluster-Cluster</b>			
United States Department of Agriculture Pass-Through Programs From Kentucky Department of Education			
School Breakfast Program	10.553	7760005	1,088,352
<i>Total School Breakfast Program</i>			1,088,352
National School Lunch Program	10.555	7750002	434,107
<i>Total National School Lunch Program</i>			434,107
Summer Food Service Program for Children	10.559	7740023	19,489
<i>Total Summer Food Service Program for Children</i>			19,489
United States Department of Agriculture Pass-Through Programs From Kentucky Department of Agriculture			
Commodity Supplemental Food Program	10.565	057502	82,509
<i>Total United States Department of Agriculture Pass-Through Programs</i>			1,624,457
<i>Total United States Department of Agriculture</i>			1,624,457
<b>Total Child Nutrition Cluster-Cluster</b>			1,624,457
<b>Education Technology State Grants Cluster-Cluster</b>			
Department of Education Direct Programs			
ARRA-Education Technology State Grants, Recovery Act	84.386A	3210002	5,630
Department of Education Pass-Through Programs From Kentucky Department of Education			
Educational Technology State Grants	84.318	3210002	16,278
<i>Total Educational Technology State Grants</i>			16,278
<i>Total Department of Education</i>			21,908
<b>Total Education Technology State Grants Cluster-Cluster</b>			21,908
<b>Special Education Cluster (IDEA)-Cluster</b>			
Department of Education Pass-Through Programs From Kentucky Department of Education			
ARRA-Special Education Grants to States, Recovery Act	84.391A	3810002	258
<i>Total Special Education Grants to States, Recovery Act</i>			258
Special Education Grants to States	84.027	3810002	856,744
<i>Total Special Education Grants to States</i>			856,744
Special Education Preschool Grants	84.173	3810002	56,340
<i>Total Special Education Preschool Grants</i>			56,340
<i>Total Department of Education Pass-Through Programs</i>			913,342
<i>Total Department of Education</i>			913,342

OHIO COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2012

<b>Total Special Education Cluster (IDEA)-Cluster</b>			913,342
<b>Title I, Part A Cluster-Cluster</b>			
Department of Education Pass-Through Programs From Kentucky Department of Education			
Title I Grants to Local Educational Agencies	84.010	3100002	1,410,014
<i>Total Title I Grants to Local Educational Agencies</i>			1,410,014
ARRA-Title I Grants to Local Educational Agencies, Recovery Act	84.389A	3100002	20,714
<i>Total Title I Grants to Local Educational Agencies, Recovery Act</i>			20,714
<i>Total Department of Education Pass-Through Programs</i>			1,430,728
<i>Total Department of Education</i>			1,430,728
<b>Total Title I, Part A Cluster-Cluster</b>			1,430,728
<b>Other Programs</b>			
Department of Education Direct Programs			
ARRA-Education for Homeless Children and Youth, Recovery Act	84.387A	3300002	8,965
Education Jobs Fund	84.410	EJOB00	31,700
<i>Total Department of Education Direct Programs</i>			40,665
Department of Education Pass-Through Programs From			
Career and Technical Education -- Basic Grants to States	84.048	4620732	28,382
<i>Total Career and Technical Education -- Basic Grants to States</i>			28,382
English Language Acquisition Grants	84.365	3300002	30,403
<i>Total English Language Acquisition Grants</i>			30,403
Improving Teacher Quality State Grants	84.367	3230002	228,044
<i>Total Improving Teacher Quality State Grants</i>			228,044
Migrant Education_State Grant Program	84.011	3100002	286,871
<i>Total Migrant Education_State Grant Program</i>			286,871
Rural Education	84.358	3140002	139,386
<i>Total Rural Education</i>			139,386
Title I State Agency Program for Neglected and Delinquent Children	84.013	4100102	15,232
<i>Total Title I State Agency Program for Neglected and Delinquent Children</i>			15,232
<i>Total Department of Education Pass-Through Programs</i>			728,318
<i>Total Department of Education</i>			768,983
<b>Total Other Programs</b>			768,983
<b>Total Expenditures of Federal Awards</b>			4,759,418



**OHIO COUNTY SCHOOL DISTRICT**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2012**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Ohio County School District under programs of the federal government for the year ended June 30, 2012. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

**NOTE C – FOOD DONATION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2012, the District had food commodities totaling \$ 82,509 in inventory.

**NOTE D – OTHER FEDERAL AWARDS**

The District did not receive any noncash insurance or have any loan or loan guarantees outstanding at the end of the year.

# ALEXANDER & COMPANY CPAS PSC

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### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Ohio County School District  
Hartford, Kentucky

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Ohio County School District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract - General Audit Requirements*, *Appendix II to the Independent Auditor's Contract - State Audit Requirements*, *Appendix III to the Independent Auditor's Contract - Audit Extension Request*, and *Appendix IV of the Independent Auditor's Contract - Instructions for Completion and Electronic Submission of the Audit Report*.

#### Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as 12-1, 12-2, and 12-3 that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion of compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance with specific statutes or regulations identified in *Appendix II to the Independent Auditor's Contract - State Audit Requirements*.

We noted certain matters that we reported to management of the District, in a separate letter dated November 13, 2012.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board, others within the entity, members of the Kentucky State Committee for School District Audits, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Alexander & Company CPAs PSC*

Owensboro, Kentucky  
November 13, 2012

# ALEXANDER & COMPANY CPAs PSC

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### INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Ohio County School District  
Hartford, Kentucky

#### Compliance

We have audited Ohio County School District's (the District) compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract - Audit Extension Request, and Appendix IV to the Independent Auditor's Contract – Instructions for Completion and Electronic Submission of the Audit Report*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board, others within the entity, members of the Kentucky State Committee for School District Audits, the Kentucky Department of Education, and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Alexander & Company CPAs PSC*

Owensboro, Kentucky  
November 13, 2012

**OHIO COUNTY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2012**

**SUMMARY OF AUDITORS' RESULTS**

1. The opinion expressed in the independent accountants' report was:  
☒ Unqualified      ☐ Qualified      ☐ Adverse      ☐ Disclaimed
  
2. The independent accountant's report on internal control over financial reporting described:  
  
 Significant deficiencies noted considered material weakness(es)?      ☐ Yes      ☒ None noted  
  
 Significant deficiencies noted that are not considered to be material weakness(es)?      ☒ Yes      ☐ None noted  
  
 Noncompliance considered material to the financial statements was disclosed by the audit?      ☐ Yes      ☒ None noted
  
3. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:  
  
 Significant deficiencies noted considered material weakness(es)?      ☐ Yes      ☒ None noted  
  
 Significant deficiencies noted that are not considered to be material weakness(es)?      ☐ Yes      ☒ None noted
  
4. The opinion expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was:  
☒ Unqualified      ☐ Qualified      ☐ Adverse      ☐ Disclaimed
  
5. The audit disclosed findings required to be reported by OMB Circular A-133?      ☐ Yes      ☒ None noted
  
6. The District's major programs were:

<u>Cluster/Program</u>	<u>CFDA Number</u>
Title I, Part A Cluster:	
Title I Grant to Local Educational Agencies (Title I, Part A of the ESEA)	84.010
Title I Grants to Local Educational Agencies, Recovery Act	84.389
Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559

7. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.
  
8. The District qualified as a low-risk auditee as that term is defined in OMB Circular A-133?      ☒ Yes      ☐ None noted

OHIO COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs (continued)  
June 30, 2012

FINDINGS - FINANCIAL STATEMENT AUDIT

12-1 Significant Deficiency:

Adjusting Journal Entries

*Condition:* During the course of our engagement, we proposed several audit adjustments in an amount that were material to the financial statements.

*Criteria:* The District should have adequate controls in place over the processing and recording of transactions to ensure that the financial statements are not materially misstated.

*Cause:* Journal entries associated reconciling accrued liabilities, recording inventory, and adjusting debt were not recorded.

*Effect:* The adjusting journal entries affected the financial statements in a material amount.

*Recommendation:* We recommend that the District review the prior year-end auditor journal entries and prior year comparative amounts during current year close to identify accounts that may need adjustment prior to year-end.

*Response:* The District will review the prior year-end auditor journal entries and prior year comparative amounts during current year close to identify accounts that may need adjustment prior to year-end.

12-2 Significant Deficiency

Controls Over Financial Reporting

*Condition:* Inadequate design of internal controls over footnote disclosure.

*Criteria:* The District should have adequate controls in place over footnote disclosure to ensure that the financial statements are not materially misstated.

*Cause:* Lack of expertise with footnote disclosure.

*Effect:* There is the likelihood of a material misstatement in the presentation and disclosure of related footnotes, occurring and not being detected by the finance officer.

*Recommendation:* We recommend that the finance officer obtain a current disclosure checklist from the AICPA and review and answer the checklist to ensure propriety and completeness of the footnotes.

*Response:* The District will ensure the Finance Officer continues to provide the necessary financial information to ensure the financial statements and footnote disclosures are a fair presentation of the financial operations of the District. The District Finance Officer will continue to review the financial statements and footnote disclosures for accuracy.

OHIO COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs (continued)  
June 30, 2012

FINDINGS - FINANCIAL STATEMENT AUDIT- (continued)

12-3 Significant Deficiency

Record Supply Inventory

*Condition:* Transportation supplies were not recorded at year end.

*Criteria:* The District should have adequate controls in place over inventory to ensure that the financial statements are not materially misstated.

*Cause:* Transportation inventory had not been recorded in the past.

*Effect:* There is the possibility misappropriations by error or fraud could occur and not be detected by the District's internal controls or the financial statement could be materially misstated.

*Recommendation:* We recommend that a physical inventory be taken at least annually and recorded during the fiscal year close.

*Response:* The District will conduct a physical inventory at least annually and record the adjustment to inventory during fiscal year close.



**OHIO COUNTY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs (continued)**  
**June 30, 2012**

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS AUDIT**

1. The audit did not disclose any audit finding that the auditor is required to report under Section 510(a) of Circular A-133.

**OHIO COUNTY SCHOOL DISTRICT  
Summary Schedule of Prior Audit Findings  
June 30, 2012**

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS AUDIT**

1. The audit did not disclose any audit finding that the auditor is required to report under Section 510(a) of Circular A-133.

# ALEXANDER & COMPANY CPAs PSC

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November 13, 2012

Ohio County Board of Education  
Hartford, Kentucky

In planning and performing our audit of the financial statements of the Ohio County School District for the year ended June 30, 2012, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We previously reported on the District's internal control in our report dated November 13, 2012. This letter does not affect our report dated November 13, 2012 on the financial statements of the Ohio County School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully,



Alexander & Company CPAs PSC  
Owensboro, Kentucky

**OHIO COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
For the Year Ended June 30, 2012**

CURRENT YEAR COMMENTS

Record Retainage

*Condition:* During the course of our engagement, we noted retainage was not being recorded on all projects.

*Criteria:* The District should have controls in place to record all assets and liabilities.

*Cause:* District has not recorded retainage in the past.

*Effect:* The financial statements could be materially misstated.

*Recommendation:* We recommend that the District review all contracts at fiscal year end in order to record all retainage amounts.

*Response:* The District will review all contracts and record retainage at fiscal year end.

Credit Card Documentation

*Condition:* We noted minimal descriptions on credit card receipts and some did not contain authorized signatures.

*Criteria:* The District should have adequate controls in place over expenses incurred on the credit card and over the related documentation.

*Cause:* District does have a policy to record descriptions on certain receipts, not all.

*Effect:* There is a possibility that an unsubstantiated charge would be paid or a charge could be recorded incorrectly.

*Recommendation:* We recommend that the District enforce a policy where all relevant information is recorded on credit card receipts. This would include general ledger account numbers, signed authorization, purpose of expense. Additional information would be required for travel expenses, such as who does the expense pertain to and where the expense occurred.

*Response:* The District Finance Officer will enforce the policy to ensure all relevant information is recorded on each credit card receipt. This will include the general ledger account numbers, signed authorization and the purpose of expense. The additional information required for travel expense, such as who does the expense pertain to and where the expense occurred will also be enforced and provided on each credit card receipt.

**OHIO COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
For the Year Ended June 30, 2012**

CURRENT YEAR COMMENTS (Continued)

Accounts Receivable Controls

*Condition:* It was noted during the audit that several receivables were not recorded.

*Criteria:* The District should have adequate controls in place over receivables to ensure that the financial statements are not materially misstated.

*Cause:* Receipts were not reviewed during fiscal close to determine they were recorded in the correct period.

*Effect:* Failure to record accounts receivable could lead to the financial statements being materially misstated.

*Recommendation:* We recommend that the District create a receipts journal to help organize incoming payments. We also recommend that the accounts receivable account and all revenue accounts be reviewed during fiscal close in order to ensure all receivables are recorded.

*Response:* The District has a receipts journal to help organize incoming payments. The District will review all revenue accounts during fiscal year end close in order to ensure all receivables are recorded.

Review Redbook for School Activity Fund Compliance

*Condition:* It was noted during the audit that several schools were not in compliance with the Accounting Procedures for Kentucky School Activity Funds.

*Criteria:* The District should adhere to the Accounting Procedures for Kentucky School Activity Funds.

*Cause:* Failure to review Redbook requirements.

*Effect:*

The following schools were not in compliance with the Accounting Procedures for Kentucky School Activity Funds ("Redbook."):

	Southern	Western	Wayland	Fordsville	Horse Branch	Beaver Dam	OCMS	OCHS
SOME PURCHASE ORDERS WERE DATED AFTER THE INVOICES	X						X	
CHECK DURING THE DISBURSMENT TEST LACKED A SUPPORTING INVOICE		X			X			X
FORM F-SA-8 NOT USED			X		X			X
DISCREPENCY BETWEEN CHECK DISBURSMENT AND PO AND INVOICE				X			X	
No Form F-SA-15B was completed for the AP at 6/30/12						X		
Official Form F-SA-10 (for transfers), was not used						X		
F-SA-15 FORM FOR ANNUAL REPORT WAS NOT USED	X	X	X	X	X	X	X	X

*Recommendation:* We recommend that the Redbook be reviewed annually for compliance.

*Response:* The District will review the Redbook Procedures with Principals and Bookkeepers.

OHIO COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS (continued)  
FOR THE YEAR ENDED June 30, 2012

UNCORRECTED PRIOR YEAR COMMENTS

None noted.

**OHIO COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS (continued)  
FOR THE YEAR ENDED June 30, 2012**

RESOLUTION OF RECOMMENDATIONS MADE DURING THE PRECEDING AUDIT

The District lacks proper segregation of duties over its financial reporting at the school level. A fundamental concept in a good system of internal controls is the separation of duties. The basic concept is that no employee should have access to all phases of a transaction. Controls are less effective due to school bookkeepers' involvement in all phases of various financial transactions. We recommend that the District develop procedures to monitor the financial activities of those schools where personnel are limited.

District Correction - The District has implemented district level staff (bookkeepers) that report to the District Finance Officer to handle/oversee the school financial activities at each school. The Superintendent and Finance Officer review the monthly financial reports for each school on a monthly basis. The District will evaluate the cost/benefit of additional staff to address the segregation of duties issue at the school level.

The District lacks proper controls for certain events to ensure that tickets shall be used for all events for which admission is charged. Controls should be in place to ensure that all events for which admission is charged use tickets for each event. Tickets for football games were not properly used in accordance with Accounting Procedures for School Activity Funds ("Red Book"). We recommend that the District develop procedures to monitor the use of tickets for all events for which admission is charged.

District Correction – The District provides "Redbook" training for all newly hired Principals and Bookkeepers. All principals and bookkeepers receive yearly training conducted by the superintendent and finance officer to address specific district issues. The District will ensure that all schools are provided an overview of the Accounting Procedures for School Activity Funds ("Redbook") procedures regarding school activity funds and in particular the procedure for ticket sales.